

Singer Wealth



Priced In

The stock market always discounts all known information into current stock prices. For instance, if a drug company is working on developing a block buster drug, the price of the stock will generally go up as it discounts the possibility of future profits. If the drug had favorable results in its clinical trials, the price of the stock will go up more because the market is pricing in a higher probability of FDA approval. The stock price will rise way before the stock has generated even one penny in sales.

The bond market is pricing in future interest rate cuts before they happen. On September 18th, the Federal Reserve will be meeting. As of late August, there is a 76% chance of a 25bps rate cut and a 24% chance of a 50bps cut. Essentially, there's a 100% chance of some sort of rate cut.

This incoming cut and several other rate cuts are already priced into current longer-term interest rates. Essentially, when the FEDs cut rates 25bps in September, we will not (or should not) see a lot of stock or bond market movement because the markets started pricing in a cut several weeks ago, especially as unemployment numbers continued to rise and as more favorable inflation numbers were reported. Many people believe that the bond markets are usually ahead of the stock market.

On May 28th, the 10-year treasury yield closed at 4.62%. Since then, the yield dropped 82bps as the bond market expects the Fed to cut rates soon. As of late August, the market has priced in three to four rate cuts for the remainder of 2024. If we see a larger increase in unemployment or CPI comes in lower than expected, we're likely to see a more aggressive cutting cycle.

Luckily, there are still ways to make 7% contractually guaranteed interest, but waiting until the Fed actually cuts rates to lock in higher interest rates, is not the best strategy because by that point additional rate cuts may already be priced in.

Have you heard about our Vision Quest Process? Watch the video below to learn more!

Singer Wealth

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561.998.9985



We are committed to helping you achieve your financial goals. Please feel free to contact us with any questions, comments, or a more in-depth discussion.

Sincerely,
Keith Singer

Singer Wealth
1515 S Federal Highway Suite 302
Boca Raton, FL 33432
(561) 998-9985
www.singerwealth.com

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Singer Wealth | 1515 S Federal Hwy Suite 302 | Boca Raton, FL 33432 US

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