FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

Minutes of the Investor Advisory Committee on Financial Markets

July 17, 2024

Federal Reserve Bank of New York

Committee Attendees:

Naïm Abou-Jaoudé, New York Life Investment Management
William A. Ackman, Pershing Square Capital
Michael Arougheti, Ares Management
Ray Dalio, Bridgewater Associates, L.P.
Greg Davis, Vanguard
Stan Druckenmiller, Duquesne
Hari Hariharan, NWI Management, L.P.
Kim Lew, Columbia Investment Management
Holly H. MacDonald, Bessemer Trust
Belita Ong, Dalton Investments
John W. Rogers, Jr., Ariel Investments
Chris Rokos, Rokos Capital Management
Jeffrey Talpins, Element Capital
Anastasia Titarchuk, New York State Common Retirement Fund
Anne Walsh, Guggenheim Partners Investment Management

Federal Reserve Attendees:

John C. Williams
Shafat Alam
Kartik Athreya
Fina Bertolotti
Jim Cronin
Dianne Dobbeck
Tiffany Hewlin
Rebecca McCaughrin
Timothy C. Nash, Jr.
Michelle Neal
Michael Nelson
Roberto Perli
Manisha Ratakonda
Julie Remache
Maneesha Shrivastava
Ben Wensley
Joshua Younger

Discussion of the U.S. Economic and Monetary Policy Outlook

On the U.S. economic outlook, Committee members generally agreed that incoming economic data indicated softer-than-expected inflation, easing tightness in labor markets, and slowing growth consistent with a soft landing. Several members highlighted continued pressure on some segments of consumers and small- to medium-sized businesses that were more sensitive to higher interest rates. Many members viewed market pricing for a Federal Reserve rate cut in September as appropriate following signals from recent data. Most members anticipated one to two rate cuts this year; some members believed that market pricing for the path of the policy rate implied more cuts in aggregate through year-end 2025 than their baseline expectation.

Most members did not have baseline expectations for a recession in the near term, though some placed more relative weight on the risk of a downturn over the next year than others. Members also noted risks to the economic and monetary policy outlook, noting a higher fiscal burden, receding household savings, lower job vacancies, and some signs of slowing consumer spending. Members discussed potential signals of deterioration in the economic outlook that could change their monetary policy expectations. Lastly, members were attentive to election developments globally and the potential for changes in policies that could result in revisions to their outlook for inflation and growth.

Discussion of the International Economic and Monetary Policy Outlook

On the international outlook, members generally noted mixed expectations depending on region. Members expected subdued growth in Europe relative to the U.S., noting the impacts of higher borrowing rates. Some noted that despite slowing growth, stickier inflation in some jurisdictions was pushing out market expectations for rate cuts. Members also noted the challenge in assessing the broader global macroeconomic outlook given some uncertainty around the U.S. outlook. On China, members noted that risks from U.S. trade policy, perceptions of limited official sector capacity for meaningful stimulus, and aging demographics were complicating the growth outlook. On the outlook for Japan, members expressed some divergence in growth expectations but generally expected the Bank of Japan to raise rates in the near term. Members continued to view the outlook for some emerging markets optimistically, including India.

Discussion of Divergences in Global Monetary Policy

Committee members assessed divergences in expectations for the economy and monetary policy across advanced economies relative to the outlook for the U.S. Members noted several structural differences between the U.S. and other advanced economies that affected the pass through of changes in interest rates and the expected paths of inflation. Members generally anticipated higher growth rates in the U.S. relative to the rest of the world. While members believed that spillovers to the U.S. economy from developments abroad were likely limited, they noted that there remained risks that large negative economic shocks could spill over through multiple transmission channels.