

Message

From: Casriel, Lyle [REDACTED]
Sent: 6/21/2019 2:13:10 AM
To: Scott Borgerson [REDACTED]
CC: GMAX [REDACTED]; Stackman, Scott [REDACTED]; Tomkiewicz, Jessica [REDACTED]; McNamara, Sean [REDACTED]; Klein, Matthew [REDACTED]
Subject: RE: [External] Re: FOMC Meeting and potential rate cute in July

We are getting paid more to wait. Good note. Thank you.

From: Scott Borgerson <[REDACTED]>
Date: Thursday, Jun 20, 2019, 6:12 PM
To: Casriel, Lyle <[REDACTED]>
Cc: GMAX <[REDACTED]>, Stackman, Scott <[REDACTED]>, Tomkiewicz, Jessica <[REDACTED]>, McNamara, Sean <[REDACTED]>, Klein, Matthew <[REDACTED]>
Subject: [External] Re: FOMC Meeting and potential rate cute in July

I love what Guggenheim publishes on this.

The key will be being prepared to move when the correction happens.

It is not if, but when. You can't fire until seeing the whites of their eyes.

On Jun 20, 2019, at 18:08, [REDACTED] wrote:

I have not seen that but we will check if anything has been done.

Lyle Casriel
Senior Vice President – Investments
Private Wealth Advisor | Portfolio Manager
UBS Private Wealth Management
T [REDACTED]
[REDACTED]

From: Scott Borgerson [mailto:[REDACTED]]
Sent: Thursday, June 20, 2019 4:27 PM
To: Casriel, Lyle
Cc: GMAX; Stackman, Scott; Tomkiewicz, Jessica; McNamara, Sean; Klein, Matthew
Subject: [External] Re: FOMC Meeting and potential rate cute in July

Thanks Lyle. Our patience will be rewarded.

Does UBS publish its model forecasts for when the recession will begin? And how severe it will be?

sgb

On Jun 20, 2019, at 13:26, [REDACTED] wrote:

Scott,

Hope you are well. Given our overwhelmingly patient view on rates for funding the munis, we wanted to provide you with an update on UBS's thoughts around a potential rate cut. We have included a few bullet points below as well as attached our most recent piece on the FOMC meeting. The good news is cash is now yielding more than bonds.

The FOMC statement and presser point to 50 bps in cuts—probably July

In the press conference, Powell noted that even the FOMC participants that did not call for a cut say that the case for a cut has risen. That view adds to the likelihood of a rate cut this year. The bar now is low for a rate cut. Powell did say in the presser that they look forward to learning more about the economy. Powell re-emphasized that they want to react to trends, not single data points. Pushing things off past July is clearly possible if we get our forecast. But the shift in sentiment makes July seem more likely.

The reaction function has shifted to risk management

We knew all along that they care about managing risks. We had always expected them to err on the side of hiking too little rather than too much. But they have gone further and now seem to want to cut despite growth being above their estimate of potential growth. Partly this shift reflects risk management being more important, partly their further downward revision to inflation.

Look for communication to resolve July versus Sep

The Committee is clearly split, but also clearly has a lean to cut. We think the data will not support a cut, but there are many ways to be wrong and the Committee is in risk management mode. The FOMC does not see a material difference between July and September from macroeconomic grounds. They also see much more weakness for H2 than we do. A cut is not a done deal, but they have clearly shifted.

Thank you

Scott and Lyle

Stackman | Casriel Group

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<US Economic Perspectives_Forecast change.pdf>

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