

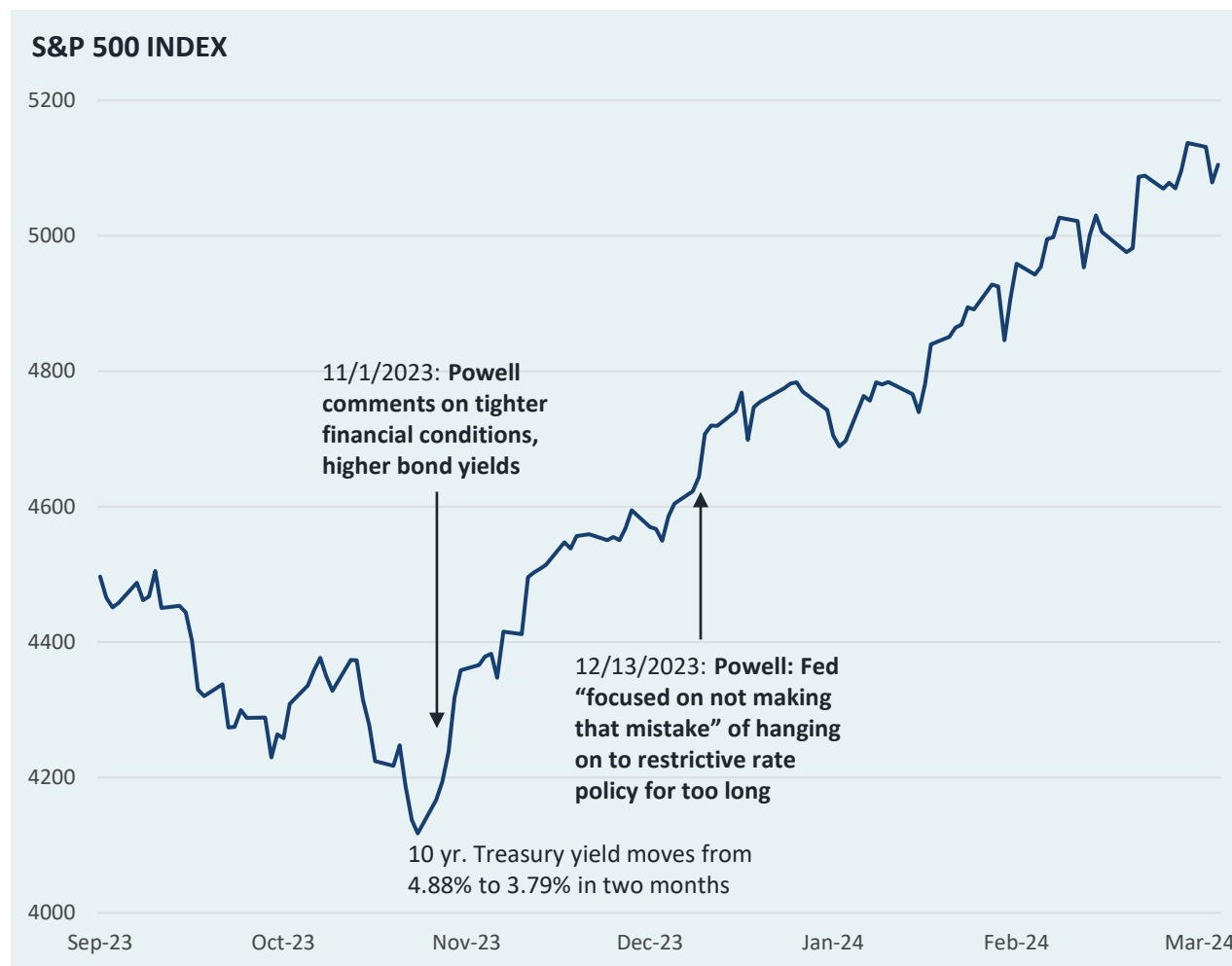
# Verus Market Note

## Taking stock of the recent market rally

Certainty about the Fed's thinking has been hard to come by in recent years, so it's no surprise that equity markets rallied as the Fed signaled the end of its hiking cycle.

While a change in the Fed's tone fueled this rally, it has been sustained by strong earnings, ample liquidity in financial markets, good economic data, and moderating inflation.

Moving forward, we think the Fed will be resolute in keeping the policy rate higher than markets expect. In the face of a strong equity market, tight credit spreads, and low unemployment, the Fed will likely continue to prioritize risk of re-inflation rather than risk of an economic slowdown. Markets may moderate as these expectations change, but given the recent rate pause and subsequent rally, an eventual cutting cycle could bring an even larger boost for equities.



Source: FRED, S&P Dow Jones Indices LLC, as of 3/6/24.