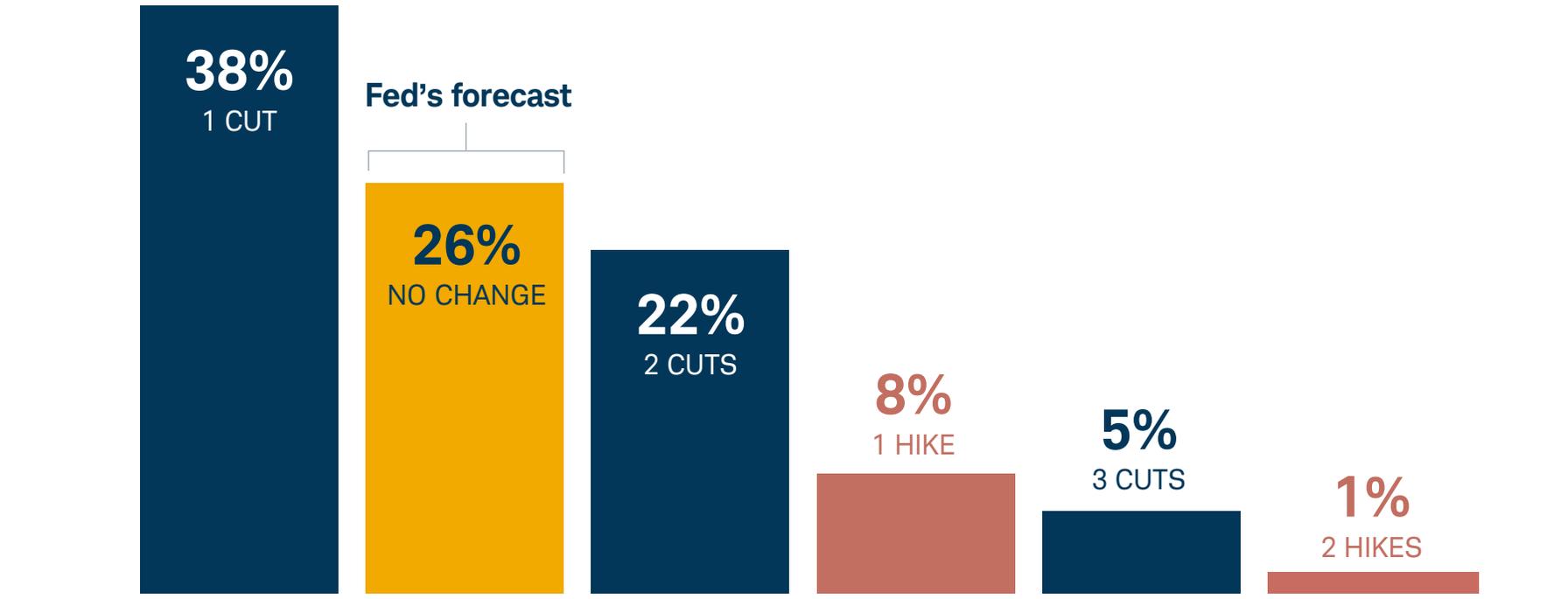


# The market's interest rate forecast: Watch out for a rate cut

Federal funds rate policy change probabilities (%) for the rest of 2019, based on market expectations.



The market is currently pricing in a much greater likelihood that the Federal Reserve (Fed) will *cut* interest rates than *raise* interest rates between now and the end of 2019.

In contrast, the Fed has stated that it's likely to leave rates alone this year. However, investors would be wise to consider a range of possible outcomes, instead of banking on Fed comments.

It's worth noting that the market has been "right" more often than not in recent years. With continued low inflation, a rate cut seems like an entirely reasonable possibility.

Sources: Charles Schwab Investment Management; Bloomberg. Probability of event based on a proprietary model of federal funds futures combined with the volatility of historical forecasts. Data as of 04/30/19.

What does this mean for investors?

**Focus on market expectations more than the Fed's forecast. And ask your advisor if your portfolio has the right mix of bonds.**

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