MONETARY POLICY | Analysis

James Camp on next week's Fed interest rate decision

CARILLON TOWER ADVISERS

Can Powell take back the narrative?

What to watch next week when the U.S. Federal Reserve decides on another interest rate hike, from James Camp, CFA, Managing Director of Fixed Income and Strategic Income at Eagle Asset Management:

- Fed Chairman Jerome Powell is going to have to assert some leadership on the path of policy going forward. The hawkish pivots and talk around even more aggressive hikes are unsettling to the market.
- We expect three 50-basis point (bp) moves through July.
- Powell needs to lay out inflation expectations clearly. That's because mathematically (due to base effects) and practically speaking, inflation is likely peaking. So the Fed needs to focus markets on the pace of the expected path towards "stability." For example, is 3% inflation acceptable or do we need the 2% average level that is the Fed's official target?
- We expect rate hikes to be front-loaded, pushing the federal funds rate to 2.5%-2.75% by year's end, with a pause to see how labor dynamics and inflation evolve from there.
- While the strike price of the "Fed put" for equity markets and risk assets is much lower, the Fed may need to pause and evaluate before year end if financial conditions deteriorate too quickly and too much on account of slowing growth, which we are watching very carefully.
- Since the last meeting, former and current Fed officials have talked about equity market corrections as desirable to curb aggregate demand and even more aggressive rate hikes.
- This is leading to high levels of cross-asset volatility.
- Financial conditions are already tightening, and economic and geopolitical uncertainty are high. Thus Powell needs to explain the "stepped up but gradual rate hikes" versus the more aggressive 75-bp or higher increases advocated by some.
- In summary, Powell needs to take back control of the narrative on rate guidance and outlook.

About James Camp, CFA

- 33 years of industry experience
- Joined Eagle Asset Management in 1997
- B.S., engineering science, Vanderbilt University, M.B.A., finance, Emory University
- Earned Chartered Financial Analyst designation in 1993

EAGLE | Asset Management

AN AFFILIATE OF CARILLON TOWER ADVISERS

About Carillon Tower Advisers

Carillon Tower Advisers is a global asset-management company that combines the exceptional insight and agility of individual investment teams with the strength and stability of a full-service firm. We believe providing a lineup of institutional-class portfolio managers — spanning a wide range of disciplines and investing vehicles — is the best way to help investors seek their long-term financial goals. Ultimately, this structure allows investment teams to focus on what they do best: managing portfolios.

Carillon Tower Advisers provides support services, including marketing and sales, to affiliated financial professionals. Carillon Tower Advisers' affiliates (Eagle Asset Management, ClariVest Asset Management, Cougar Global Investments, Scout Investments, and Reams Asset Management, a division of Scout Investments) manage a broad range of investment vehicles, including separately managed accounts, mutual funds, closed-end funds, UCITS, and other types of products.

About Eagle Asset Management

Eagle Asset Management provides a broad array of fundamental equity and fixed-income strategies designed to meet the long-term goals of institutional and individual investors. Eagle's multiple independent investment teams have the autonomy to pursue investment decisions guided by their individual philosophies and strategies.

of a fixed-income portfolio. The two most prominent factors are interest-rate movements and the creditworthiness of the bond issuer. Bonds issued by the U.S. government have significantly less risk of default than those issued by corporations and municipalities. However, the overall return on government bonds tends to be less than these other types of fixed-income securities. Investors should pay careful attention to the types of fixed-income securities that comprise their portfolio and remember that, as with all investments, there is the risk of the loss of capital.

This material may include forward-looking statements. These statements are not historical facts, but instead represent only beliefs regarding future events, many of which, by their nature, are inherently uncertain. You should not place undue reliance on forward-looking statements as it is possible that actual results and financial conditions may differ, possibly materially, from the anticipated results and financial conditions indicated in these forward-looking statements. There are uncertainties, unknown risks, and other factors that may cause actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these statements.

The statements above are based on the views of the advisor and are subject to change.

The information presented is for discussion purposes only, is not an offer, and should not be relied upon as the sole factor in an investment-making decision.

The views and opinions expressed are not necessarily those of the broker/dealer; or any affiliates. Nothing discussed or suggested should be construed as permission to supersede or circumvent any broker/dealer policies, procedures, rules, and guidelines.

The information presented is not tax, investment, or legal advice. Prospective investors should consult with their financial professionals.

Be sure to consider your financial needs, goals, and risk tolerance before making any investment decisions. Eagle does not provide legal, tax, or accounting advice. Any statement contained in this communication concerning U.S. tax matters was not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code. Before making any investment decisions, you should obtain your own independent tax and legal advice based on your particular circumstances.

Hawkish, dovish, and centrist are terms used to describe the monetary policy preferences of central bankers and others. Hawks prioritize controlling inflation and may favor raising interest rates to reduce it or keep it in check. Doves tend to support maintaining lower interest rates, often in support of stimulating job growth and the economy more generally. Centrists tend to occupy the middle of the continuum between tight (hawkish) and loose (dovish) monetary policy.

Basis points (bps) are measurements used in discussions of interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%.

The federal funds rate is the target interest rate set by the Federal Open Market Committee of the U.S. Federal reserve. The target is the Fed's suggested rate for commercial banks to borrow and lend their excess reserves to each other overnight.

The term "Fed put" is an adaption of the option term "put," and it describes the belief among market participants that the U.S. Federal Reserve would step in and implement policies to limit the equity market's decline beyond a certain point.

A strike price is a term used generally in reference to derivative contracts such as put options. Put options are financial contracts that give the buyer of the option the right, but not the obligation, to sell a specified amount of a stock, bond, commodity, or other instrument at a pre-determined price (the "strike price') within a specified time frame. Put options increase in value as the price of the underlying asset falls, as the volatility in the price of the underlying asset increases, or as interest rates decline.

To learn more about Eagle Asset Management:
Contact us at 800.521.1195 or visit eagleasset.com.

880 Carillon Parkway | St. Petersburg, FL 33716 | 800.521.1195 |
carillontower.com

CTA22-0269 | Exp. 8/25/22 | FL-CTA-CAMPFED2NDHIKE