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**Flash Macro Update (06/19/2019)**

Patience, which dominated FED's monetary policy in the last couple of months, seems to be over! FED's FOMC meeting ended and as generally expected FED kept its rates unchanged and at the same time opened the door for a rate cut. Or maybe more cuts in the remainder of the year. According to the short statement of the FOMC meeting, FED decided on keeping its benchmark funds rate unchanged in a range of 2.25% to 2.50% as expected. But it made some changes in its short statement, which pleased the rate cut camp in the market. First, FED dropped the word 'patience' from its statement about acting. Second, it emphasized that inflationary pressures have declined and third, uncertainties about the inflation outlook have increased.

Officially, wait-and-see approach has ended. FED's FOMC members' dot plot about the rate level came down and now eight members expect one rate cut in the remainder of the year (although the median rate forecast does not clearly indicate a rate cut for the remainder of the year), while forecasts about growth remained pretty much unchanged. Biggest dilemma for financial markets, in our view, is not the timing of a rate cut. The dilemma is the reason behind a rate cut. Apparently, FED will focus on low inflation instead of slowing down growth when it comes to easing its monetary policy and that sounds like a goldilocks scenario for every financial market. In other words, in case of FED rate cut due to low inflation instead of slower growth EMs will like it; US equities will like it; gold will like it; commodities will like it and bonds overall will like it. Whether these global rate cuts will work or not is yet to be seen though.

FED positioned itself comfortably about a possible rate cut, in our opinion. Until the next FOMC meeting, which will be held on July 30-31, FED will see one more round of inflation data, second quarter GDP data and some more high frequency data that could give it roughly an idea about what to do. If inflation remains low, it might be a green light for the Bank to cut the rate in July. If not, September might be the month to cut.

After the FOMC decision, FED Governor Powell held a press conference as usual. The messages of the conference were not that different compared to the FOMC statement and Powell did not deliver any surprising remark that changed pricings in the markets. It is worth noting that many participants in the press conference tried to get comments of FED Chair Powell on the criticism of US President Trump on monetary policy, but Powell refrained from commenting on that.

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