Central Banks Taking a Back Seat

I think that we heard very similar messages from the FOMC on Wednesday and the ECB on Thursday.

Both are really, seriously, and honest to goodness data dependent.

It will take a lot of consistently strong data to generate another hike.

It will take a lot of very weak data to motivate them to cut.

Basically, it is now a high hurdle to hike again and an extremely high hurdle to cut (at least for the rest of this year).

Markets should move LESS on any single piece of economic data. With central banks being truly data dependent, I just don't think that markets should react much to any individual piece of data.

Yes, for example, strong GDP numbers will impact yields, but only a little bit, because that is only one small piece of the puzzle that the Fed is looking at.

Basically, earnings will be center stage for the next few weeks, which should make fundamental and micro strategists happy!

As we get through earnings, I'd expect volatility in bonds and stocks to decline.

Jobs data could be interesting next week (I'm looking for more disappointment).

While these could be "**famous last words**", I think that markets are going to be slow with a bias to **grind higher for stocks, tighter for spreads, and we will see less inverted yield curves** for the coming weeks as we finally price in a market where the Fed's next move is likely to cut (but not any time soon, and not without really bad data).

I like owning the equal weighted indices and the laggards in this environment.