



CIO continues to believe that a well-diversified portfolio can help investors withstand volatility while positioning for future gains. (UBS)

# Backdrop of Fed easing is supportive of equities, quality bonds, and gold

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**US consumer inflation for July was in line with market expectations, with the build in price pressures unlikely to derail a Federal Reserve interest rate cut in September.**

Recent market developments have reinforced investor expectations that the Fed is likely to resume policy easing imminently. Fed fund futures now indicate a near 95% chance of a rate cut when the Federal Open Market Committee meets on 17 September, up from less than 60% a month ago. Debates over a bigger 50bps cut have also emerged in the market given the softening labor market, with US Treasury Secretary Scott Bessent suggesting that the Fed should consider more aggressive easing.

Our view is that inflation will likely continue on a gradual upward trend as businesses pass on higher costs, but slowing shelter inflation and push-back from increasingly stretched consumers should help offset some of the tariff impact. As the labor market continues to weaken, we believe the US central bank will resume interest rate cuts next month, with 25bps cuts at each meeting through January 2026 for a total of 100 basis points.

This backdrop of Fed easing is supportive of equities, quality bonds, and gold.

We continue to believe that a well-diversified portfolio can help investors withstand volatility while positioning for future gains. Investors willing and able to manage risks inherent to alternatives can also consider exposure to hedge funds and private markets.

Original report: [Positioning portfolios as Fed rate-cuts approach, 13 August 2025.](#)

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