

Fed Cuts Depend on Inflation Even More Than Jobs Data, Here's Why. And 5 Other Things to Know Before Markets Open.

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DREAMSTIME

Just a few months ago, most people were expecting the first Federal Reserve interest-rate cut at the March 20 decision.

Now the big date is approaching, expectations for when a reduction will happen are [firming around June](#). Whether hopes are dashed again probably depends more on inflation than growth.

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The Fed has a double-edge mandate to both contain inflation and maximize employment. Sometimes, the two goals seem in conflict—lower rates usually mean faster growth and lower unemployment, but also faster inflation. High rates, on the other hand, usually mean higher unemployment and slower inflation.

That tension is only resolved because economists have determined that, over the longer term, the best contribution central banks can make to growth and employment is to keep inflation low and stable.


The good news for Fed policy makers is that, even though inflation ran wild for a little while there, unemployment has been historically low for some time. That's one half of their job done. The [jobs report Friday](#) reinforced the idea the economy is doing well, but not running hot enough

to push prices up too forcefully. [Comments from retailers](#) such as Dollar General and Dick's Sporting Goods as they report earnings this week will add more color to the picture.

The only thing stopping Chairman Jerome Powell and his colleagues from cutting rates now are nagging worries that inflation hasn't been conquered. The Fed's preferred inflation gauge, the core personal-consumption expenditures index, isn't due out until March 29. But a strong consumer-price index report this week is still important enough to force traders to reassess their plans for the first Fed cut.

Alternatively, a weak CPI report could be another green light for a June cut.

—[Brian Swint](#) 

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Consumer Price Index Could Bolster Case for Rate Cuts

The February consumer price index due from the Bureau of Labor Statistics Tuesday will give economists the latest inflation data to consider, as traders try to discern when the Federal Reserve will finally start its much-anticipated interest-rate cuts this year.

- Expectations are for overall inflation to **rise 3.1% from a year ago**, matching January's reading. Core CPI, excluding volatile food and energy prices, is expected to inch up 3.7%, or two-tenths of a percentage below January's number. Core CPI is at its lowest annual rate since May 2021.
- Fed policymakers **don't need inflation to be at 2% to ease rates**, Phil Camporeale, a portfolio manager for J.P. Morgan Asset Management's global allocation strategy, [told](#) MarketWatch. "They just need inflation not to get any worse."
- Traders in the federal-funds futures market now expect that the Fed could **begin cutting rates in June**, according to the CME FedWatch Tool. U.S. economists at BofA Global Research expect the February CPI to alleviate concerns that inflation is reaccelerating and show that core inflation is decelerating.
- The University of Michigan on Friday will release its Consumer Sentiment index for March. February's reading of consumers' expectations for year-ahead inflation was 3.0%, **close to a three-year low**, suggesting inflation expectations are well anchored.


What's Next: The Fed will release a new set of economic projections, including interest rates, after its next meeting on March 19-20. If the projections indicate three quarter-point rate cuts in 2024, that could firm up expectations for the first reduction coming in June.

— *Janet H. Cho*

Retail Earnings Offer Glimpse Into Discretionary Spending Demand

Several discount and specialty retailers reporting earnings this week could provide insight on a range of consumer spending. [Dollar General](#) and [Dollar Tree](#) will highlight how bargain-hunters are navigating still-

elevated prices and whether consumers continue to trade down for a deal.

- Dollar Tree’s CEO has already said **pressure from inflation**, reduced government benefits, and lower savings have [affected](#)  less-affluent shoppers. Discounter Ross Stores said higher housing and food prices were putting pressure on discretionary spending.
- But overall, executives are **feeling better about the outlook**. Of the S&P 500 companies that held fourth-quarter earnings calls through March 7, only 47 mentioned the term “recession,” FactSet said. That’s the smallest number since the fourth quarter of 2021.
- Reports from specialty stores [Petco Health & Wellness](#), [Ulta Beauty](#), and [Williams-Sonoma](#) could demonstrate whether consumers are still **splurging on their pets**, skin care and makeup, and high-end home goods, respectively.
- Sporting goods retailer [Dick’s Sporting Goods](#) and footwear and apparel brands [Allbirds](#) and [On Holding](#) will **offer additional glimpses** into discretionary spending demands. On Thursday, Dick’s will report earnings after [Foot Locker](#) scaled back its profit margin forecasts.

What’s Next: FactSet also reported that the number of S&P 500 companies citing “soft landing” during their fourth-quarter earnings calls rose to 37, which it noted was the highest number using that term in earnings calls in at least three years.

— [Janet H. Cho](#) 

Spring Break Travel Expected to Rebound, Especially in Florida

As the spring break travel rush ramps up and continues through March

25, the Transportation Security Administration expects record travel volumes to continue this year. Passenger volumes are already up nearly 6% since the beginning of January from a year ago, TSA Administrator David Pekoske said.

- Airline ticket prices were **6% lower in January** compared with the previous year, in part because domestic seat capacity is at least 5% higher than prepandemic levels, online travel site Hopper said. Hopper expects airfares to stay below 2023 levels through at least June.
- AAA said international flight bookings for March and April are up 20%, and **hotel bookings are up 37%**. Americans' most sought-after destinations are in Europe: London, Paris, Rome, Dublin, and Amsterdam. Orlando is the most popular U.S. spring break destination.
- AAA Travel said March and April **cruise bookings are up 28%** compared with last year, and cruises departing from South Florida are up 60%. Fort Lauderdale and Miami are the most popular domestic cruise ports.
- Airlines collected nearly **\$5.5 billion in baggage fees** in the first three quarters of 2023, including \$1.02 billion for [American Airlines](#), and \$921.7 million for [United Airlines](#), the Transportation Bureau reported. Airlines recently [hiked baggage fees](#) about 17% means this year's revenue will be even higher.

What's Next: Miami Beach is telling spring break visitors to expect curfews, bag checks, DUI checkpoints, \$100 parking fees, and law enforcement patrols. Florida Gov. Ron DeSantis sent 140 state troopers around the state, including to Miami Beach, to keep partying spring breakers in check.

— *Janet H. Cho and [Callum Keown](#)* 

Contenders Are Emerging to Compete for Weight-Loss Drug Crown

Weight-loss drugs, among the hottest pharmaceutical products around, are [lining up](#) to challenge the dominance of [Novo Nordisk](#), maker of Ozempic and Wegovy, and [Eli Lilly](#)'s Mounjaro and Zepbound. New contenders are emerging, not just from Novo and Lilly, but from competitors such as Viking and Pfizer.

- Analysts estimate that Zepbound sales **could climb to \$16.9 billion** by 2029, according to FactSet, a figure that doesn't include the \$24 billion in sales anticipated for Mounjaro, the brand name under which Lilly sells the same medicine as a treatment for Type 2 diabetes.
- Lilly's Retatrutide is seen as **the drug to beat**. In a mid-stage study, patients had lost 24.2% of their weight at 48 weeks, versus the 18% average for patients on Zepbound after 72 weeks. Phase 3 data from four different trials of Retatrutide could come in early 2026.
- Novo is developing its own potential next-generation weight-loss drug. Patients in a very small trial of a once-daily pill version of a drug called amycretin **lost 13% of their body weight** after 12 weeks. In comparison, Wegovy offered 9.8% weight loss after 20 weeks in one trial.
- The biotech Viking's VK2735 drug led patients to lose 14.7% of their weight after 13 weeks in a mid-stage trial. Analysts said the data **looked comparable with Retatrutide**. Viking hasn't yet begun a Phase 3 trial of VK2735, and the drug's development timeline lags behind that of retatrutide.

What's Next: [Pfizer](#) heavily touted its weight-loss drug program early in 2023, but in December said it was dropping development of a twice-daily

pill. It continues work on a once-daily version, and executives have said Pfizer would have more data on that version by midyear.

— [Josh Nathan-Kazis](#) and Liz Moyer

'Oppenheimer' Oscars Glory and the Case for Comcast Stock

Oppenheimer delivered at the [96th Academy Awards on Sunday night](#) as Christopher Nolan's biographical nuclear drama swept the Oscars. It's a feather in the cap for media giant Comcast, whose Universal Pictures—owned by division NBCUniversal—financed and distributed the film. But you wouldn't know it from the performance of Comcast stock.

- *Oppenheimer* took home seven Oscars, including for best director, best actor for Cillian Murphy, and best cinematography, among other accolades. Also winning the **coveted best picture title**, the film [beat out the likes of *Barbie*](#)—distributed by Warner Bros.—and Paramount and Apple-financed *Killers of the Flower Moon*.
- Nolan's flick about the father of the atomic bomb, J. Robert Oppenheimer, was financed and distributed by Universal, ultimately owned by **media stalwart Comcast**. But shares in the company were little moved in premarket trading by the Oscar accolades, with the stock [tracking S&P 500 futures lower](#).
- The lack of Oscar reaction for Comcast stock is indicative of how stodgy shares in the company—still tethered to its legacy cable television business—have become, with the stock up only 5% in five years. But perhaps not for long. [Barron's in January tipped Comcast](#) as one of a handful of loser **stocks that could become winners**, citing the company's record of beating earnings estimates for the past 20 quarters.

What's Next: Analysts call for single-digit annual sales growth at

Comcast in the near term while cable revenue continues to suffer. But that could be offset by increasing revenue from television subscription services as well as streaming—and more hits like *Oppenheimer* may only bolster that growth business.

— [Jack Denton](#) 

MarketWatch Wants to Hear From you.

The spring home-buying season will soon be upon us. And with that, the real-estate industry kicks off what it hopes will be a flurry of home sales. What's "in" and what's "out" as prospective homeowners hit the market?

A MarketWatch correspondent will answer this question soon.

Meanwhile, send any questions you would like answered to thebarronsdaily@barrons.com.

—*Newsletter edited by Liz Moyer, Patrick O'Donnell, Rupert Steiner*