

Analysis of Persistent Hawkish Signals

Underlying Market Tension

- **Bond Market Hesitation:** Long-term yields are not falling significantly, reflecting investor concern over persistent inflation and the increased supply of bonds from ongoing Quantitative Tightening (QT).
 - **Funding Market Pressure:** The steady and elevated SOFR rate is a direct indicator that QT is draining reserves from the banking system, creating a tighter liquidity environment.
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Conclusion: These factors are preventing a full market alignment with the Fed's dovish rate cut, revealing a sophisticated understanding of the conflicting policy signals.

