

ABOVE THE FRAY

Madness in March with Fed Futures

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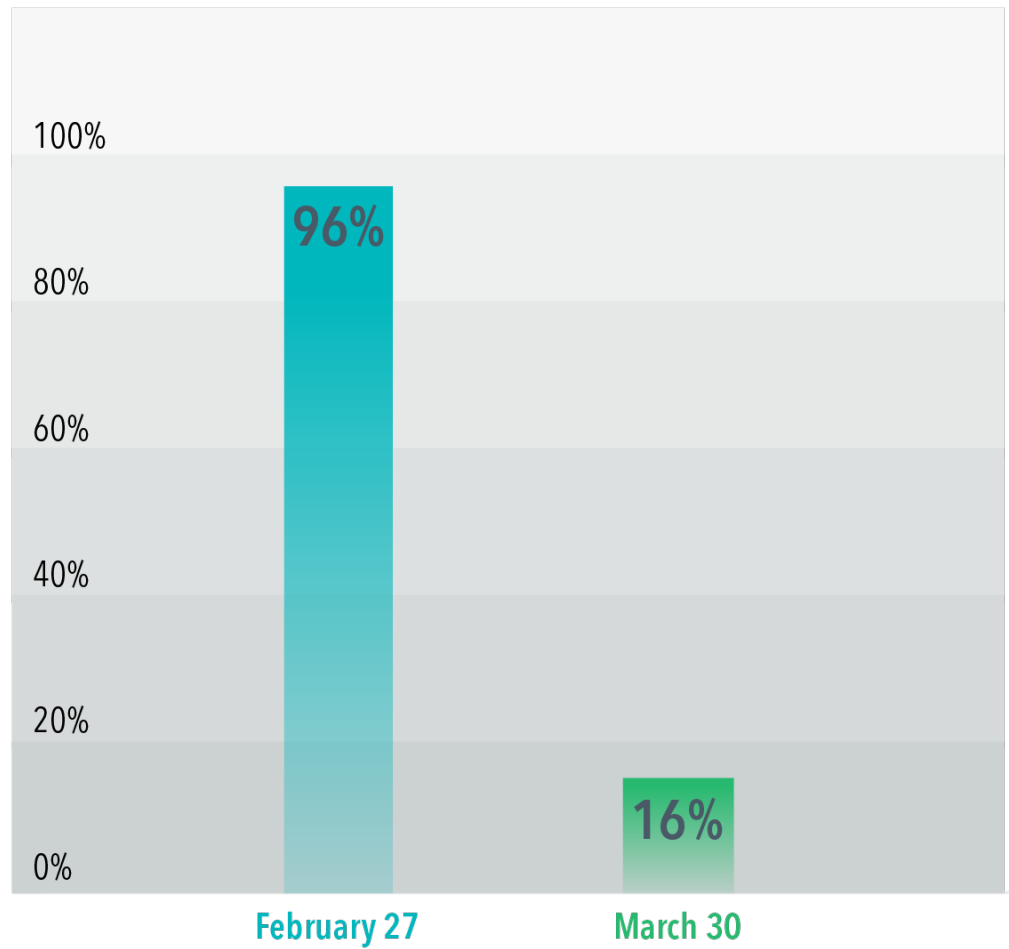
I am a regular consumer of the CME Group's [FedWatch tool](#) that uses federal-funds futures prices to track the likelihood of changes to the federal-funds rate. March was an especially interesting time because the probability of the rate being cut before year-end swung from a virtual lock in February to quite unlikely by March 30. If I didn't know better, I would assume this was Duke's win probability in the final seconds of their Elite Eight game!

The fed-futures swing seems attributable to inflation concerns ignited by rising oil prices stemming from the war in Iran. The Fed takes potential inflation into account in its rate decisions—we have [recent examples](#) of rate change probabilities fluctuating amid evolving inflation expectations. Market participants know this, and they account for this and many other considerations when trading fed-funds futures. The prices of these securities inform the probability of future changes to the fed-funds rate.

Just like with stocks and bonds, new information can change futures prices quickly. And that new information can come out of left field. The market is our best source for real-time predictions about the future, but no predictions are perfect—as March Madness continually reminds us.

Exhibit 1

Probability the Fed-Funds Rate Will Be Lower Than the Current Rate (350–375 Basis Points) After the December 2026 Meeting



Source: *FedWatch-CME Group* as of April 1, 2026.

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