Chart of the Month | July 2026

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Market Forecasts Change; Retirement Plans Shouldn't

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The bond market started this year expecting the Federal Reserve to cut interest rates twice by year end. Today, it expects a rate hike instead. The chart below captures the reversal. The lines graph the market's rate forecast for the same stretch of time, from now through early 2027. The only difference is when each forecast was made. The light blue line graphs the forecast at the end of 2025, and the dark blue line graphs the forecast today. Looking at the right half of the chart, the two dots for December 2026 sit nearly a full percentage point apart, 3.06% versus 3.93%. In roughly six months, one of the most widely held market views flipped. The takeaway isn't about interest rates. It's about forecasts and how even the most confident ones can reverse.

Neither line tracks the Fed's actual decisions or its benchmark rate. Each reflects the market's collective guess, priced in real time by investors, and revised as new information arrives. In January, cooling inflation and a softening job market made rate cuts look like the obvious path. Over the following months, the consensus flipped as the economy remained stronger than expected and rising oil prices raised fresh inflation concerns. The market started to price in rate hikes, but even that forecast remains unsettled. This week, the June inflation reading came in cooler than expected, and investors once again readjusted their interest rate forecast to new information. The forecast changed one data point at a time, until it looked completely different.

This year is a useful example of why a portfolio shouldn't be built around any single forecast, however confident or widely shared. Consider an investor who saw the January forecast and repositioned for falling interest rates. Within months, the investor would have been positioned the wrong way and faced the choice of either doubling down or trading, potentially at the cost of realizing a loss. The market's January view wasn't careless, and it was built on real evidence across the economy. However, a forecast is an estimate, and the evidence underneath it can change, as we've seen this year. It is not a bad idea to have a forward view on interest rates. But it would be a mistake letting one view influence the entire portfolio, because a portfolio positioned for a single outcome has to be repositioned each time the outlook changes.

The more durable approach is to build a diversified portfolio that holds up across a range of outcomes. A well-constructed retirement plan doesn't need to know whether rates will rise or fall next year, because it was built with other factors in mind. Market views still matter, and they inform how a portfolio is positioned. However, they aren't the only consideration, since no one knows which forecast will be right. The consensus changed once this year, and it could change again. A plan built for a range of outcomes doesn't have to change with it. That's what portfolio diversification is for.

Locations:

Plano
6275 W. Plano Pkwy. Ste. 500
Plano, TX 75093

Southlake
1560 E. Southlake Blvd. Ste. 100
Southlake, TX 76092

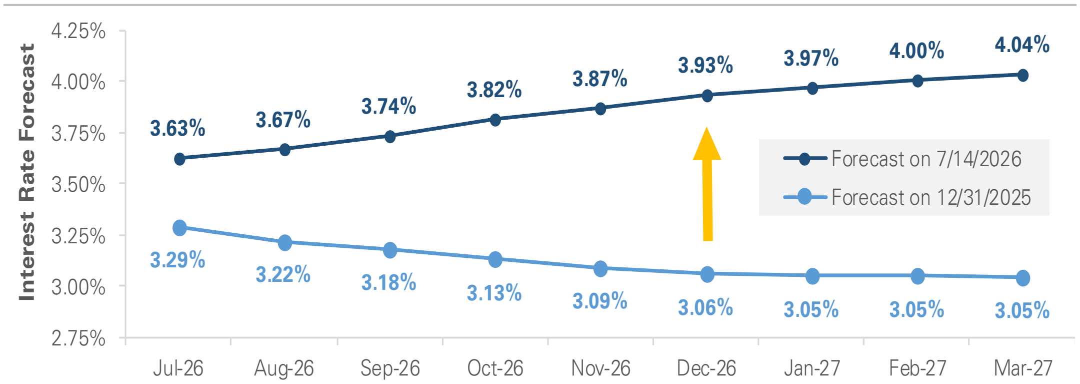
Dallas
2626 Cole Ave. Ste. 300
Dallas, TX 75204

Houston
5100 Westheimer Rd. Ste. 200
Houston, TX 77056

Atlanta
3379 Peachtree Rd. Ste. 700
Atlanta, GA 30326

Phoenix
2325 E. Camelback Road Suite 400
Phoenix, Arizona 85016

Figure 1 – Federal Reserve Policy Forecast (December 2025 vs. Today)



Source: CME Group Fed Funds futures. Forward rate expectations are based on futures market pricing and represent market-implied expectations as of the indicated dates. Market expectations may change rapidly in response to new economic data, Federal Reserve communications, or other events and should not be interpreted as predictions or investment advice. Latest available data as of 7/14/2026.

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