

9-9-25

The rate cuts investors have been dying for won't solve a lot of their problems

Story by ddefrancesco@businessinsider.com (Dan DeFrancesco) 9-9-2025

In today's big story, we're just over a week away from the Fed likely cutting rates. Just don't expect it to [solve all the economy's problems](#) or [send stocks soaring](#).

What's on deck:

Markets: Ken Griffin takes a stand on [the Fed remaining independent](#).

Tech: AI's thirst for data is threatening to reshape [the way we navigate the internet](#).

Business: Gen Z is entering its #hustleharder era ... ([at least for the next three months](#).)

But first, rate-cut relief isn't always a remedy.

If this was forwarded to you, [sign up here](#).

When it comes to interest-rate cuts, the anticipation could be better than the real thing.

The rate-cut drought will almost certainly end next week when the Federal Reserve convenes to make its latest decision about monetary policy. The [CME FedWatch tool](#) has the probability of a cut at 100%.

It'll mark the first rate reduction since last December, but investors won't necessarily be rewarded for their patience.

According to JPMorgan Asset Management chief global strategist David Kelly, rate cuts [might not boost the economy at all](#), writes BI's Jennifer Sor.

That might seem counterintuitive. How could something everyone's been so desperate for, something that will lower borrowing costs, not help the economy?

Kelly pointed to retirees who often park their cash in Treasuries. If rates drop, those assets will offer weaker returns, potentially limiting the spending habits of elder Americans relying on them.

There's also no guarantee that lending will increase if people think this is just the start of the Fed lowering rates. If you've already waited this long, why not hold off a bit longer to get an even better rate?

If that wasn't bad enough, don't hold your breath for a stock-market bump either.

Note

Stocks got a boost a few weeks ago when Fed Chair Jerome Powell indicated cuts were coming while speaking at Jackson Hole. However, next week's rate cut could actually be a "sell the news" event, according to Andrew Tyler, head of global market intelligence at JPMorgan.

Instead of the cuts serving as jet fuel for the stocks, the market could dip as investors consider the wider economic data that's leading the Fed to cut rates in the first place.

If you're still struggling to understand why rate cuts won't help the economy, the job market is another good place to look.

Part of the Fed's dual mandate is ensuring the economy has the highest level of employment it can support. But job seekers' issues aren't necessarily tied to rates being too high.

One big reason for the market downturn is tariffs. Hiring has fallen off a cliff since Trump's trade war began. The inflationary impact of the taxes, along with their ongoing uncertainty, isn't something that will be resolved by lower interest rates.

The president's crackdown on immigration is also disrupting the job market. A combination of a lower supply of foreign-born workers and businesses' hesitancy to hire them is complicating things, market vet Ed Yardeni recently noted.

That's not to say the economy, stocks, or labor market would be better off without a rate cut. At this point, the reduction is basically priced in, so delaying it even more has its own set of issues.