

## Equity Markets

The stock market may have had its biggest data week of the year, with the FOMC rate hike decision, second quarter GDP, inflation numbers and continued corporate earnings announcements. While most of the data was soft, equities responded favorably due to most of the announcements meeting market expectations.

	<u>7/25 Open</u>	<u>7/29 Close</u>	<u>Change</u>
Dow Jones	31,900	32,845	Up 3.0%
S&P 500	3,962	4,130	Up 4.3%
NASDAQ	11,834	12,391	Up 4.7%
KBW Bank Index	106.2	108.5	Up 2.2%
VIX	23.0	21.3	Dn 7.9%

The major U.S. stock indexes rallied Wednesday afternoon, after the Fed hiked rates, to post gains of around 1% to 2%. The NASDAQ Composite Index had its biggest one-day percentage gain in two years, surging 4.1% on Wednesday.

## Interest Rates/Bonds

In continued efforts to dampen inflation, the U.S. Federal Reserve enacted a 75-basis point rate hike on Wednesday taking its benchmark rate to a range of 2.25% to 2.50%. This is the Fed's second consecutive 75 basis point interest-rate hike. The futures market forecasts the overnight rate peaking at 3.65% by year end and then falling by more than 100 basis points in 2023.

	<u>7/25 Open</u>	<u>7/29 Close</u>	<u>Change</u>
3mo UST	2.38%	2.32%	Dn 6 bp
2yr UST	2.97%	2.88%	Dn 9bp
5yr UST	2.84%	2.68%	Dn 16bp
10yr UST	2.75%	2.65%	Dn 10 bp
2-10yr UST Spread	-22 bp	-26 bp	Dn 4 bp
10yr Inflation Rate	2.34%	2.55%	Up 21bp

Longer dated Treasury yields fell for the third week in a row. The 10-year yield fell to its lowest point since early April and the 30-year Treasury yield fell below 3.00% during the week.

The Treasury curve continued to invert with the spread between 2- and 10-year Treasuries, finishing the week at a -26 basis points which is the lowest it has been in 22 years.

## Washington

The Federal Reserve continued with its aggressive pace of rate hikes, raising benchmark interest rate by another 75 basis points on July 27, while indicating more to follow.

These are not normal times," Fed Chairman Jerome Powell told reporters at the post-policy press conference. The cycle is far from over, he suggested, while indicating an additional 100 basis points in hikes could occur before year-end.

Lawmakers clashed in the House Financial Services Committee during the markup hearing for the Overdraft Protection Act, to introduce new limits and regulations on overdraft fees charged by banks.

Representative Carolyn Maloney, D-N.Y., introduced the long-awaited bill that would provide customers with the right to opt-in for overdraft programs and limit the number of times such fees could be charged. Maloney said the bill will keep \$8 billion a year, minimum, in consumers' pockets.

## Economic Results 7/25-7/29

**Consumer Confidence:** US consumer confidence declined in July to the lowest level since February 2021 on dimmer views of the economy amid persistent inflation.

**June New Home Sales:** U.S. new home sales plunged 8.1% to a seasonally adjusted rate of 590,000 in June, from a revised 642,000 in the prior month.

**2<sup>nd</sup> Qtr GDP:** The U.S. economy shrank by 0.9% in the second quarter, the second straight decline and a strong recession signal.

**June Personal Income/Spending:** Personal income rose 0.6% month over month and spending gained momentum, rising 1.1% for the month. But due to inflation, real income fell 0.3% and real spending only barely increased by 0.1%.

**June PCE:** The Fed's preferred measure of inflation, the core PCE deflator, which strips out food and energy prices, accelerated in June, rising 0.6% m/m. That was slightly above consensus and took the year-ago measure to 4.8%.

**July UofM Consumer Sentiment:** Consumer Sentiment was 51.5 in July, hovering near record lows but increasing slightly in July.

## Week Ahead

July ISM Manufacturing (Mon),  
July Factory Orders (Wed), July  
ISM Services Index (Wed), July  
Nonfarm Payrolls (Fri)

## Quote

“Train people well enough so they can leave, treat them well enough so they don’t want to.” - Richard Branson

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