

## Equity Markets

Markets were caught off guard by the Federal Reserve's Jekyll and Hyde message on Wednesday. The initial statement acknowledged the magnitude of tightening and that real economic results operate with a lag. But then the press conference that followed with Fed Chair Jerome Powell took on a notably hawkish tone. He stressed that the Fed may move at a gradual pace, but this does not mean a pause is coming.

	<u>10/31 Open</u>	<u>11/4 Close</u>	<u>Change</u>
Dow Jones	32,862	32,403	Dn 1.4%
S&P 500	3,901	3,771	Dn 3.3%
NASDAQ	11,103	10,475	Dn 5.7%
KBW Bank Index	104.6	103.9	Dn 0.7%
VIX	25.8	24.6	Dn 4.7%
Oil (WTI)	86.5	92.6	Up 7.1%

He also noted that the peak Fed Funds rate is most likely going to be higher than what was forecast at the September meeting. Additionally, he highlighted that the Fed sees more risk in pausing than in overtightening. Equities, and particularly the interest rate sensitive tech market, took a beating following the press conference.

## Interest Rates/Bonds

The Federal Reserve (Fed) raised the fed funds rate by seventy-five basis points (0.75%) at its November FOMC meeting. This was the Fed's fourth consecutive 75-basis-point rate hike, which brings the fed funds rate from near zero to 4.0% in about eight months, an unprecedented pace of interest-rate hikes in the U.S. economy.

	<u>10/31 Open</u>	<u>11/4 Close</u>	<u>Change</u>
3mo UST	3.96%	4.10%	Up 14 bp
2yr UST	4.48%	4.66%	Up 18 bp
5yr UST	4.21%	4.33%	Up 12 bp
10yr UST	4.04%	4.15%	Up 11 bp
2-10yr UST Spread	-29 bp	-51 bp	Dn 22 bp
10yr Inflation Rate	2.55%	2.48%	Dn 7 bp

The two-year Treasury yield started the week at 4.48% and finished the week at 4.66%. The ten-year Treasury yield went from 4.04% to 4.15%. The Treasury curve inversion fell to -51 basis points, putting it at the most inverted level since 1981.

## Washington

A group of Democratic lawmakers co-wrote a letter to Fed Chair Jerome Powell expressing concern over the central bank's aggressive tightening of monetary policy. They said it was a "disturbing" message to Americans to expect economic pain in the coming months.

"You continue to double down on your commitment to 'act aggressively' with interest rate hikes and 'keep at it until it's done,' even if no one knows whether this process will lead to a recession or if so, how significant that recession would be," the lawmakers wrote.

They continued, "These statements reflect an apparent disregard for the livelihoods of millions of working Americans,

and we are deeply concerned that your interest rate hikes risk slowing the economy to a crawl while failing to slow rising prices that continue to harm families."

## Economic Results 10/31 - 11/4

### Oct. ISM Manufacturing:

A closely watched index that measures U.S. manufacturing activity fell 0.7 percentage points to 50.2. Any number below 50% reflects a shrinking economy.

**Oct. ADP Employment:** Private payrolls rose 239,000 in October, better than expected, while wages increased 7.7%.

**Oct Nonfarm Payroll:** Nonfarm payrolls grew by 261,000 in October, better than the estimate for 205,000. The unemployment rate moved higher to 3.7%, while a broader jobless measure also increased, to 6.8%. Big job gainers by industry included health care, professional and technical services, and leisure and hospitality.

## Economic Week Ahead

Oct. Small Business  
Optimism (Tue)  
Oct. CPI (Thu)

## Quote

"Whatever you are, be a good one."

– Abraham Lincoln

## Contact

### SSW Research Department

Chad McKeithen

P: (601) 605-1776

E: [chad.mckeithen@ssw1776.com](mailto:chad.mckeithen@ssw1776.com)

[www.ssw1776.com](http://www.ssw1776.com)

*The source for the information above is Bloomberg News unless otherwise noted.*

Smith Shellnut Wilson, LLC ♦ Investment Counsel and Management

661 Sunnybrook Rd., Suite 130 ♦ Ridgeland, MS 39157 ♦ Telephone 601-605-1776 ♦ Fax 601-605-1710