

Equity Markets

As expected, the U.S. Federal Reserve lifted its benchmark interest rate fifty basis points, approving a more moderate increase relative to its recent three seventy-five basis point hikes. However, Fed officials expect to keep the benchmark rate at a higher peak level next year than many observers were forecasting, and stocks mostly retreated following the mid-week announcement.

	<u>12/12 Open</u>	<u>12/16 Close</u>	<u>Change</u>
Dow Jones	33,476	32,921	-1.6%
S&P 500	3,934	3,852	-2.0%
NASDAQ	11,004	10,705	-4.0%
KBW Bank Index	99.7	97.7	-2.0 %
VIX	22.8	22.6	-0.1%
Oil (WTI)	70.9	75.5	+6.5%

A worse-than-expected U.S. retail sales report continued to pressure stocks Thursday and added to fears that further interest-rate increases could tip the economy into a recession. Major U.S. stock indexes fell around 2%, declining for the second week in a row but retreating less than the previous week.

Interest Rates/Bonds

Yields rallied across every duration of the curve as investors chased safety, following a semi-hawkish head fake by the Fed and some poor retail sales numbers that concerned investors heading into the last two weeks of the year. The 2-10 year spread finally saw some inversion reprieve at the curve steepened ten basis points.

	<u>12/12 Open</u>	<u>12/16 Close</u>	<u>Change</u>
3mo UST	4.26%	4.21%	-5 bp
2yr UST	4.34%	4.19%	-15 bp
5yr UST	3.76%	3.64%	-12 bp
10yr UST	3.56%	3.51%	-5 bp
2-10yr UST Spread	-78 bp	-68 bp	+10 bp
10yr Inflation Rate	2.28%	2.13%	-15bp

U.S. prices rose at a 7.1% annual rate in November as measured by the Consumer Price Index, marking the smallest year-over-year increase since last December.

The U.S. Federal Reserve had plenty of company in lifting interest rates by a half percentage point, as central banks in the European Union, the United Kingdom, and Switzerland also raised borrowing costs by the same amount. The U.K.'s Bank of England said that it believes the economy is in a recession.

Washington

U.S. Sens. Elizabeth Warren, D-Mass., and Roger Marshall, R-Kan., introduced bipartisan legislation aimed at mitigating national security risks posed by cryptocurrency and other digital assets. "The crypto industry should follow common-sense rules like banks, brokers, and Western Union, and this legislation would ensure the same standards apply across similar financial transactions," Warren said.

The Senate Banking Committee approved all three of President Joe Biden's nominees to the Federal Deposit Insurance Corp. Martin Gruenberg, who was serving as acting chair, was approved as chair; Travis Hill was approved for the vice chair role; and Jonathan McKernan was approved as a board member.

The U.S. Securities and Exchange Commission voted in favor of four proposals that seek to give small investors better prices on their trades and reduce some of the advantages that high-speed trading firms enjoy.

The proposals would alter relationships between brokerages that take investors' orders to buy or sell securities, the high-speed traders that handle those orders, and stock exchanges, according to the report. The broad idea behind the proposals is to leverage greater competition for investors' orders to deliver better prices, while increasing regulations for the companies that profit from handling retail stock trades, the report said.

Economic Results 12/12 - 12/16

Nov. CPI: The Index rose 7.1% in November from the same time last year. That is below the 7.3% economists estimated and was the lowest rate since December 2021.

Nov. Retail Sales: Consumers pulled back on spending in November. Retail sales for November declined 0.6%, worse than the estimate of a 0.3% drop.

Economic Week Ahead

Nov. Housing starts (Tue)
Nov. Existing home sales (Wed)
Cons. Confidence (Wed)
3rd qtr. GDP (Thu)
Nov New home sales
Nov PCE/income/spending

Quote

"Coming together is a beginning; keeping together is progress; working together is success."

– Henry Ford

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