

## Untethered Markets Hope Powell Provides Calm

The FOMC meets today and tomorrow with the primary objective of telegraphing a quarter point rate hike announcement at the next scheduled meeting on March 16th. During the current 10-day *communication blackout period* for Fed officials, speculation on a series of more aggressive policy changes have made the rounds. In the absence of Fed speakers to calm the markets, investor fears have been amplified over the past week.

Historically, Chairman Powell has managed to ease concerns during his post-meeting press conference. Although stock performance isn't a Fed mandate, a more significant market correction would further complicate policy. Tomorrow afternoon, we expect Powell to walk back any speculation *that isn't intended* by the committee, and will likely emphasize the Fed's willingness to be *flexible* as conditions evolve.

The mounting conflict on the Ukrainian border certainly represents an evolving condition as does the current spike in new virus cases. Port congestion has gotten worse during the Omicron surge as more and more dock workers have fallen ill. Inflationary pressure increases when supply is unable to meet demand. The U.S. has experienced significant jump in the demand for goods over the past 18 months, and this demand has been met by *importing* a record amount of goods, primarily through West Coast ports. The fact that these ports are *again* clogged with container ships waiting to unload suggests that supply will be delayed, adding to inflationary pressure in the short run.

The Fed can't do anything about this supply bottleneck, but it can try to trim the demand side by gradually slowing growth. *A major stock market correction isn't part of that soft-landing.* Expect Powell will try once again to reassure jittery investors and steady the markets in perhaps the most critical FOMC meeting in years.

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### Market Indications as of 11:17 A.M. Central Time

DOW	Down -408 to 33,957 (HIGH: 36,800)
NASDAQ	Down -408 to 13,447 (HIGH: 16,057)
S&P 500	Down -97 to 4,314 (HIGH: 4,797)
1-Yr T-bill	current yield 0.58%; opening yield 0.55%
2-Yr T-note	current yield 1.01%; opening yield 1.01%
3-Yr T-note	current yield 1.25%; opening yield 1.26%
5-Yr T-note	current yield 1.54%; opening yield 1.55%
10-Yr T-note	current yield 1.76%; opening yield 1.77%
30-Yr T-bond	current yield 2.11%; opening yield 2.11%

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