

Bullard Doubles Down

Last week after the market-shaking CPI report, St. Louis Fed President James Bullard announced that he favored 100 basis points of rate increase before July 1st with 50 basis points of it coming at next month's FOMC meeting. This morning on CNBC, Bullard reiterated that inflation has been running hotter-than-expected *for months* and that the Fed should *front-load* its tightening moves. He acknowledged that he is just one of 12 FOMC voting members and would work to convince other members, but Chairman Powell would ultimately drive policy decisions.

Bullard made several comments this morning that seemed reassuring. He said the Fed was in the process of removing *some* of the accommodation, but monetary policy *would not be restrictive*. When asked about the effect more aggressive Fed tightening would have on the stock market, Bullard replied that he believes corporate earnings will remain strong this year as the virus retreats, implying that equities should be able to weather less accommodative policy.

San Francisco Fed President Mary Daly spoke Sunday morning on *Face the Nation*. She said being too abrupt and aggressive could be counter-productive to the Fed's goals. Daly favors a 25 basis point hike in March, then settling back to watch and measure the incoming data...she even mentioned that rate hikes could come at *every other meeting* instead of every meeting. Daly isn't a voting member in 2022, but like all committee members, she'll contribute to a lively discussion next month. The growing calendar of Fed speakers this week includes yet another Bullard take on Thursday.

Bonds yields, which have been extremely volatile for the past several days, are up again this morning. Stocks are mixed. This week's economic release calendar includes the January producer price index (tomorrow) and retail sales (Wednesday), but investor attention is focused squarely on Fed talk.

The February Bloomberg economist survey was released on Friday. It showed U.S. economists believe consumer inflation will retreat throughout the year, reaching a +2.7% pace by the first quarter of 2023. Unfortunately, the start of a price downtrend may still be a month or two away and patience is frayed.

Scott McIntyre, CFA
HilltopSecurities Asset Management
Senior Portfolio Manager
Managing Director
512.481.2009
scott.mcintyre@hilltopsecurities.com

Greg Warner, CTP
HilltopSecurities Asset Management
Senior Portfolio Manager
Director
512.481.2012
greg.warner@hilltopsecurities.com

This morning on CNBC, Bullard reiterated that inflation has been running hotter-than-expected for months and that the Fed should front-load its tightening moves.

When asked about the effect more aggressive Fed tightening would have on the stock market, Bullard replied that he believes corporate earnings will remain strong this year as the virus retreats, implying that equities should be able to weather less accommodative policy.

Market Indications as of 10:32 A.M. Central Time

DOW	Down -219 to 34,519 (HIGH: 36,800)
NASDAQ	Up 113 to 13,904 (HIGH: 16,057)
S&P 500	Down -19 to 4,400 (HIGH: 4,797)
1-Yr T-bill	current yield 1.11%; opening yield 1.01%
2-Yr T-note	current yield 1.60%; opening yield 1.52%
3-Yr T-note	current yield 1.83%; opening yield 1.74%
5-Yr T-note	current yield 1.94%; opening yield 1.86%
10-Yr T-note	current yield 2.02%; opening yield 1.96%
30-Yr T-bond	current yield 2.32%; opening yield 2.28%

The paper/commentary was prepared by Hilltop Securities Asset Management (HSAM). It is intended for informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of HTS and/or HSAM as of the date of the document and may differ from the views of other divisions/departments of affiliates Hilltop Securities Inc. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance. Sources available upon request.

Hilltop Securities Asset Management is an SEC-registered investment advisor. Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS and HSAM are wholly owned subsidiaries of Hilltop Holdings, Inc. (NYSE: HTH) located at 717 N. Harwood St., Suite 3400, Dallas, Texas 75201, (214) 859-1800, 833-4HILLTOP.