

## Hawkish Fed Talk Drives Yields Higher

San Francisco Fed President Mary Daly threw cold water on the recent Treasury rally in an interview this morning with *LinkedIn*, saying it's premature to believe the Fed's inflation fight is winding down. Daly characterized the inflation rate as "far too high," and said the Fed still had "a long way to go." Hawkish comments coming from one of the more dovish members of the FOMC carry considerable weight.

Another member of the Fed's policy-setting committee also indicated this morning that the markets may be premature in thinking the FOMC is close to reaching its policy objective. Chicago Fed President Charles Evans said he anticipates a 50 bp hike at the September meeting, but is not ruling out another 75 bps if inflation doesn't show improvement.

In the absence of major data releases today, it's Fed speak driving a significant market sell-off as investors reconsider the timing and magnitude of future tightening. The two-year Treasury yield is up 21 basis points on the day, while the 10-year yield is 18 bps higher.

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## Market Indications as of 1:17 P.M. Central Time

DOW	Down -264 to 32,534 (HIGH: 36,800)
NASDAQ	Up 12 to 12,381 (HIGH: 16,057)
S&P 500	Down -13 to 4,107 (HIGH: 4,797)
1-Yr T-bill	current yield 3.09%; opening yield 2.93%
2-Yr T-note	current yield 3.08%; opening yield 2.87%
3-Yr T-note	current yield 3.03%; opening yield 2.79%
5-Yr T-note	current yield 2.86%; opening yield 2.63%
10-Yr T-note	current yield 2.74%; opening yield 2.56%
30-Yr T-bond	current yield 2.99%; opening yield 2.90%

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