

## Fed Hikes 25, Sept Call Remains Data Dependent

In a widely expected move, the FOMC voted unanimously to increase the overnight funds target by 25 basis points to a new target range of 5.25% - 5.50%. After pausing at the June meeting, Fed officials resumed their tightening campaign despite the appearance of waning inflationary pressure.

The official statement, released at the conclusion of the meeting, offered few clues as to what action the committee may take at the next scheduled meeting on September 20th. The statement was *little changed* from June, with members pledging to monitor incoming data, prepared to adjust policy as deemed appropriate.

At the post-meeting press conference, Fed Chairman Jay Powell began by reiterating the committee's "strong commitment" to its +2.0% inflation goal. The Chairman acknowledged that inflation has "moderated somewhat" but has "a long way to go." Reaching the Fed's goal will likely require a period of below trend growth. Near the conclusion of the press conference, Powell mentioned that Fed staff was no longer predicting a recession.

Powell didn't focus quite as much on employment this time, although he continues to characterize the labor market as "very tight."

Reporters repeatedly pushed for clarity on the Fed's near-term policy outlook, but Powell emphasized that future decisions will be "data dependent" and made on a meeting by meeting basis. The Chairman admitted that the committee could raise rates or pause on September 20th, but cautioned that there will be two employment and two CPI reports to consider over the eight-week period between meetings.

The futures market is currently indicating a 19% likelihood of one more quarter point hike in September, rising to 40% at the November 1st meeting if the FOMC doesn't act in September.

The effect of the Fed decision and Powell's comments has been positive, with bonds in the midst of a quiet rally. Powell mentioned that the overnight funds rate is now restrictive, and cumulative policy actions have begun to take effect. The Fed may not have fully completed its tightening efforts, but the markets are sensing the end is near.

*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  
Managing Director  
512.481.2012  
greg.warner@hilltopsecurities.com*

*The Chairman acknowledged that inflation has "moderated somewhat" but has "a long way to go." Reaching the Fed's goal will likely require a period of below trend growth.*

*Reporters repeatedly pushed for clarity on the Fed's near-term policy outlook, but Powell emphasized that future decisions will be "data dependent" and made on a meeting by meeting basis.*

## Market Indications as of 2:13 P.M. Central Time

DOW	Up 12 to 35,450 (HIGH: 36,800)
NASDAQ	Down -60 to 14,084 (HIGH: 16,057)
S&P 500	Up 7 to 4,575 (HIGH: 4,797)
1-Yr T-bill	current yield 5.37%; opening yield 5.35%
2-Yr T-note	current yield 4.85%; opening yield 4.89%
3-Yr T-note	current yield 4.48%; opening yield 4.53%
5-Yr T-note	current yield 4.11%; opening yield 4.16%
10-Yr T-note	current yield 3.86%; opening yield 3.89%
30-Yr T-bond	current yield 3.93%; opening yield 3.94%

*The Fed may not have fully completed its tightening efforts, but the markets are sensing the end is near.*

*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.*