

Powell Offers Few Clues and Little Clarity

Fed Chairman Jay Powell, in a highly anticipated prepared speech before the Economic Club of New York this afternoon, indicated progress on the inflation front and a willingness to proceed *carefully* going forward. Powell pointed out that core inflation over the past three and six months is now below 3%, while cautioning that the path lower may be bumpy. He noted that the decline in inflation, so far, has not come at the cost of higher unemployment, which he considers a welcome development.

Powell went on to say that GDP growth will likely be *very strong* in the third quarter, but is *expected to cool off in the fourth quarter and in 2024*. The Fed Chairman believes this cooling is necessary in order for the committee to achieve its 2% inflation goal.

Powell said that financial conditions have tightened, while noting there may be meaningful tightening still in the pipeline, which implies that the committee will be afforded time to allow policy to take full effect before proceeding further.

Additional rate increases may be necessary if above-trend growth persists, but future decisions will depend on incoming data. Powell's prepared remarks, as expected, left the door open for additional hikes. He emphasized the uncertainty of the outlook and evolving conditions, which seems to support a continued pause. In the Q&A that followed, Powell said he did not consider policy to be overly tight.

Financial market volatility was considerable during Powell's speech and Q&A session, as investors listened for less obvious clues in his words. Both stocks and bonds sold off initially, then rallied back. As of this minute, yields are slightly lower on the short end and higher beyond three years . . .but the trading day isn't over. Stocks continue to whipsaw back and forth. The bottom line is that the markets were anxious for clarity which Powell was unable to provide.

Market Indications as of 12:58 P.M. Central Time

DOW	Down -11 to 33,655 (HIGH: 36,800)
NASDAQ	Down -25 to 13,289 (HIGH: 16,057)
S&P 500	Down -10 to 4,305 (HIGH: 4,797)
1-Yr T-bill	current yield 5.44%; opening yield 5.43%
2-Yr T-note	current yield 5.18%; opening yield 5.23%
3-Yr T-note	current yield 5.03%; opening yield 5.06%
5-Yr T-note	current yield 4.96%; opening yield 4.95%
10-Yr T-note	current yield 4.97%; opening yield 4.94%
30-Yr T-bond	current yield 5.07%; opening yield 5.02%

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

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