

## Fed Holds Steady, Powell Repeats and Markets Sigh in Relief

As expected, Fed officials voted 12-0 today to maintain the target range for the overnight funds rate at 5.25% to 5.50% for the second straight FOMC meeting. The official statement (with the exception of a few word tweaks) was virtually unchanged from September. The statement continues to indicate that “the committee remains highly attentive to inflation risks,” and “would be prepared to adjust the stance of monetary policy as appropriate if risks emerge. . .” This suggests additional tightening is still possible depending on how future data unfolds, while any easing of policy is still a long way away.

Since the vote and the official statement provided nothing of substance, the post meeting press conference was the main event this afternoon, but Powell’s prepared remarks held no surprises. All his words were repeats from recent speeches and interviews, so any apparent policy clues were found in the points he chose to emphasize.

Most of what he decided to focus on was predictable - *inflation remains too high, and the committee remains strongly committed to bringing inflation down to its’ 2% goal.* Price measures were “quite favorable” during the summer, but there is *still a long way to go.* Further cooling will require a period of below trend growth.

During the Q&A, Powell said financial and credit conditions have tightened, but will only have the desired effect if these tighter conditions persist. He specifically mentioned near 8% mortgage rates are expected to have a significant impact on housing.

Powell is insistent that investors should not read too much into the extended pause. No decisions have been made regarding future monetary policy; decisions will be made on a month-by-month basis. He said the committee is not thinking or talking about rates cuts at all.

The bond market rally that started earlier in the day, continued unabated after the announcement and as Powell spoke. His words weren’t particularly hawkish, but investors heard nothing new. *Apparently, that was enough.* After Powell left the podium, the futures market indicated less than a 20% chance of a December hike. The market believes the Fed is done.

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## Market Indications as of 2:30 P.M. Central Time

DOW	Up 228 to 33,281 (HIGH: 36,800)
NASDAQ	Up 191 to 13,042 (HIGH: 16,057)
S&P 500	Up 41 to 4,235 (HIGH: 4,797)
1-Yr T-bill	current yield 5.37%; opening yield 5.42%
2-Yr T-note	current yield 4.94%; opening yield 5.08%
3-Yr T-note	current yield 4.76%; opening yield 4.92%
5-Yr T-note	current yield 4.67%; opening yield 4.85%
10-Yr T-note	current yield 4.77%; opening yield 4.92%
30-Yr T-bond	current yield 4.96%; opening yield 5.08%

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