

Minutes from Nov FOMC Meeting Reveal Nothing New

The bond market shrugged off the minutes of the November Fed meeting after finding little information that wasn't already known. All FOMC members, both current voters and alternates, were in agreement on the wait-and-see policy stance. The key takeaway, *once again*, is that the Committee will "proceed carefully," with all future decisions based on incoming data. The minutes mentioned that further tightening would be appropriate if data indicated insufficient progress on the inflation objective. There was no mention of future easing.

Members viewed the current monetary policy as being *restrictive*, exerting downward pressure on both economic activity and inflation. They see upside risk to prices, downside risk to growth, and a high degree of uncertainty surrounding their forecasts.

Members discussed significant tightening of financial conditions, which they attributed partly to the runup in longer term rates. Apparently, quite a bit of discussion centered around the Fed's *October Senior Loan Officer Opinion Survey on Bank Lending Practices* (SLOOS). In the survey, banks reported weakening demand and tighter credit standards for commercial and industrial loans, commercial and residential real estate loans, and all categories of consumer loans. (*This indicates monetary policy is having the desired effect.*)

The financial markets believe the Fed has wrapped up its rate hikes for the cycle. Although Fed officials generally tried to balance their assessment, the economy is expected to slow and inflation to moderate. Amid so much uncertainty, patience is expected.

Market Indications as of 2:28 P.M. Central Time

DOW	Down -73 to 35,078 (HIGH: 36,800)
NASDAQ	Down -80 to 14,205 (HIGH: 16,057)
S&P 500	Down -7 to 4,540 (HIGH: 4,797)
1-Yr T-bill	current yield 5.25%; opening yield 5.23%
2-Yr T-note	current yield 4.88%; opening yield 4.90%
3-Yr T-note	current yield 4.60%; opening yield 4.62%
5-Yr T-note	current yield 4.42%; opening yield 4.43%
10-Yr T-note	current yield 4.41%; opening yield 4.41%
30-Yr T-bond	current yield 4.57%; opening yield 4.57%

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.

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

Members viewed the current monetary policy as being restrictive, exerting downward pressure on both economic activity and inflation.