

Powell's Dovish Speech Sparks Rally to End the Week

Fed Chair Powell's much-anticipated speech in Jackson Hole this morning was well received, as he touted both significantly lower prices and sustained economic growth. Powell admitted his confidence has grown that inflation is now on a sustainable path to the Fed's +2.0% target. At the same time, he mentioned slowing job gains and falling vacancies, and emphasized that the committee would not welcome further cooling in labor market conditions. This statement reinforces the notion that Fed officials are now concerned with downside risks to *employment*, which points to a series of rate cuts to support the labor market.

The key phrase this morning was only a surprise in its total clarity: "*The time has come for policy to adjust.*" Stocks and bonds have both rallied in response.

Next week's data releases are mostly second tier, the exception being next Friday's July PCE report, the Fed's preferred inflation measure (*although somewhat stale at this point*). The next significant economic release is the August employment report two weeks from today.

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Market Indications as of 2:49 P.M. Central Time

DOW	Up 451 to 41,164 (HIGH: 41,198)
NASDAQ	Up 224 to 17,843 (HIGH: 18,647)
S&P 500	Up 60 to 5,630 (HIGH: 5,667)
1-Yr T-bill	current yield 4.38%; opening yield 4.45%
2-Yr T-note	current yield 3.91%; opening yield 4.00%
3-Yr T-note	current yield 3.73%; opening yield 3.80%
5-Yr T-note	current yield 3.65%; opening yield 3.71%
10-Yr T-note	current yield 3.80%; opening yield 3.85%
30-Yr T-bond	current yield 4.10%; opening yield 4.12%

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