Markets Balk as Powell Signals a More Patient Fed

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Fed Chairman Jerome Powell, speaking this afternoon at the *National Association for Business Economics Annual Meeting* in Nashville, struck a more hawkish tone than investors had anticipated, halting the day's equity rally and driving bond yields higher across the curve.

In his (very brief) prepared comments, Powell reiterated points made 12 days ago at the post-FOMC meeting press conference, saying Inflation has eased and the committee has greater confidence it is on a sustainable path to 2%. He went on to say, "If the economy evolves broadly as expected, policy will move *over time* toward a more neutral stance. *But we are not on any preset course*."

It got more interesting once the Q&A started. Powell pointed out that "very large" revisions to gross domestic income in the first half of this year boosted the savings rate, which "suggests that spending can continue at a healthy level."

In a response that raised more than a few eyebrows, Powell said: "This is not a committee that feels like it's in a hurry to cut rates quickly." He would emphasize this point again, saying "rate hikes will likely play out over some time, not something we need to go fast on," adding (once again) that "decisions don't get made until the meeting."

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He clearly pushed back on bond market enthusiasm when he said, "If the economy performs as expected, rate cuts would total 50 basis points for the remainder of the year." *Futures had priced in 75 basis points of easing before today's speech*. Powell would later add that housing inflation will take "some years" to fully cool, which put a damper on thoughts that the inflation battle is nearing an end.

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Market Indications as of 2:21 P.M. Central Time

DOW	Down -163 to 42,150 (HIGH: 42,313)
NASDAQ	Down -48 to 18,072 (HIGH: 18,647)
S&P 500	Down -13 to 5,726 (HIGH: 5,745)
1-Yr T-bill	current yield 4.01%; opening yield 3.87%
2-Yr T-note	current yield 3.66%; opening yield 3.57%
3-Yr T-note	current yield 3.57%; opening yield 3.48%
5-Yr T-note	current yield 3.58%; opening yield 3.51%
10-Yr T-note	current yield 3.80%; opening yield 3.75%
30-Yr T-bond	current yield 4.14%; opening yield 4.10%

Please see disclosure starting on page 2

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