

## Tariff Threats Override Fed Minutes

The minutes to the November 6th FOMC meeting held no surprises and offered few clues. Committee members generally saw “no sign of rapid deterioration in the labor market,” dismantling the underlying reason behind September’s half point cut. Fed officials remained confident that inflation would move sustainably toward their 2% target, although several committee members noted the process could *take longer than expected*. This point was reiterated several times as participants stressed a more gradual easing pace going forward.

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Last week’s announcement that hedge fund manager Scott Bessent had been nominated as Treasury Secretary buoyed the financial markets as investors assumed he’d take a more pragmatic approach to Trump’s proposed tariff policy. Yesterday, Trump reclaimed the narrative when he declared he would impose (on day one, by executive order) a 25% tariff on all imports from neighbors Canada and Mexico until the flow of migrants and illegal drugs are slowed.

The announcement prompted Canadian Prime Minister Justin Trudeau to convene an emergency meeting with provincial leaders for Wednesday. Mexican President Claudia Sheinbaum took a harder stance, saying Mexico would retaliate with tariffs on U.S. imports. Bond yields are slightly higher today as investors factor-in the possibility of increased price pressure. Trump doesn’t take office for another 55 days. The hope is that a resolution can be reached between the U.S. and its two largest trading partners before January 20, 2025.

Early today, the Israeli security cabinet voted to approve a ceasefire in the conflict between Israel and Hezbollah in Lebanon. Prime Minister Benjamin Netanyahu said the agreement will allow Israel to focus on the Iranian threat, keep Hezbollah out of the Israeli/Hamas conflict in Gaza and allow Israel to restock its weapons supply. The agreement doesn’t suggest a de-escalation of the overall conflict in the region, so much as a reallocation of resources.

In other news, new single family home sales fell -17% in October to an annual pace of 610k units, well below the median forecast. The reasons for the plunging sales were a spike in mortgage rates and the one-two punch of Hurricanes Helene and Milton as sales in Southeast region dropped -28%. The median price for a new home in October rose to \$437,000, the highest since August 2023, although the price increase has much to do with dramatically lower sales in the lowest priced region of the country. It appears as though 2024 will be the worst year for housing in nearly three decades. The outlook for 2025 is brighter as builders expect fewer regulations under a Trump presidency.

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## Market Indications as of 2:16 P.M. Central Time

DOW	Up 110 to 44,846(NEW HIGH)
NASDAQ	Up 91 to 19,146 (HIGH: 19,299)
S&P 500	Up 25 to 6,012 (NEW HIGH)
1-Yr T-bill	current yield 4.36%; opening yield 4.35%
2-Yr T-note	current yield 4.25%; opening yield 4.26%
3-Yr T-note	current yield 4.21%; opening yield 4.22%
5-Yr T-note	current yield 4.19%; opening yield 4.19%
10-Yr T-note	current yield 4.30%; opening yield 4.29%
30-Yr T-bond	current yield 4.48%; opening yield 4.47%

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