Friday Forethought

For week ending November 4, 2022

Fed Says Not Yet...

U.S. equities finished lower this week as investors awaited the decision for the Federal Reserve's (Fed) monetary policy meeting. Most investors were anticipating a 0.75% rate hike from the Fed, but expected a softer stance on future rate hikes. At first, that rhetoric sent stocks higher on Wednesday, but those gains reversed when Fed Chair, Jerome Powell said it was "premature" to discuss a rate hike pause or reduction. As such, markets followed suit yesterday. Powell also said "we still have some ways to go, and incoming data since our last meeting suggests that the ultimate level of interest rates will be higher than previously expected." Now investor attention will turn to the October non-farm payrolls (which will be released today), another reduction in unemployment, and next week's consumer price index – three variables that can indicate a stronger economy, but also signal more work ahead for the Fed.

October Recap

U.S. equities ended higher in October despite mixed economic data and third-quarter earnings. The S&P 500 added 8%, while the NASDAQ climbed 3.9%. The Dow Jones Industrial Average jumped 14% in its best monthly performance since 1976. The September jobs reports was stronger than expected, indicating a robust labor market. Meanwhile, September inflation remained stubbornly high, with the Consumer Price Index (CPI) notching an 8.2% annual gain while core CPI (which excludes the more volatile food and energy costs) climbed at its fasted clip in four decades. The U.S. housing market declined, with homebuilder sentiment falling for the tenth straight month, while existing home sales notched their longest stretch of declines since 2007. The 30-year fixed mortgage rate rose to its highest level since April 2002. Despite all this data that suggests a slowing economy, the Gross Domestic Product (GDP) reading came in stronger than expected, growing 2.6% (as opposed to the two successive previous quarters which were in the negative).

Our Take

There is a chance that the Fed is trying to appear more hawkish than they really are; in hopes that the market will adjust accordingly, and allow for the Fed to take their foot off the gas pedal. As rates rise, longer term fixed income is looking more attractive and could be a good opportunity to balance out some of your equity positions. It's a longer row to hoe than originally thought, but we feel that we are getting more clarity each week. If you have any questions, please do not hesitate to call us.

QUIN OAKS INVESTMENT GROUP *of Wells Fargo Advisors*

Leading Trends

The S&P 500 Energy and S&P 500 Consumer Staples Sector are the leading sectors year-to-date: up 64.60% and down 7.95% respectively

Lagging Trends

S&P 500 Real Estate Sector and S&P 500 Communication Services Sector are the lagging sectors year-to-date: down 31.01% and down 43.94% respectively.

Weekly Markets

S&P 500	3,719.89	-2.30%
NASDAQ	10,324.94	-4.17%
DJIA[1]	32,001.25	-0.10%

[1]Dow Jones Industrial Average

10-YR US Treasury	4.148%	+14.20 bps
GOLD	1,634.00	-2.00%
OIL	88.09	-0.58%

Market close 10-27-2022 to market close 11-03-2022

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