Weekly **Market Commentary**

THE WEEK IN REVIEW: Dec. 11 – 17

Dr. Jerome, Mr. Powell

In typical Dr. Jekyll-Mr. Hyde fashion, Federal Reserve Chair Jerome Powell first gave markets hope that after the Fed raised rates at its final meeting of 2022, they might pause to watch what a 4.25% Fed Funds rate would do to inflation and the economy. Predictably, markets soared on the possibility of a pause on rate increases. Then – just as suddenly – he stepped up to the microphone following last week's meeting and said the Fed still isn't done. He warned markets to expect more rate increases in 2023 and not to expect potential rate cuts until 2024.

As soon as Chairman Powell renewed his hawkish tone, markets teetered and then toppled, giving up all recent gains. What changed his tone? Was it the higher-than-expected Producer Price Index (PPI) number? Or the better-than-anticipated Consumer Price Index (CPI) reading? Maybe neither. Inflation (as measured by CPI) has dropped from a high of 9.1% in June to 7.1% in November, and right now, that doesn't seem to be enough progress for the Fed.

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This would seem to be an appropriate time for the Fed to pause and see the impact of its actions from the last nine months. Think of it as letting up on the throttle and gliding into a potentially smoother – and maybe even soft – landing. Instead, the Fed isn't letting up. As a result, markets are signaling the possibility of a much deeper recession than we may have otherwise had. The recent market slide is all on Chairman Powell; he can turn markets around with one speech, and right now, he doesn't seem to be in the mood to help markets close out the year on an upbeat note.

FTX founder arrested and detained

Oh, to be young, rich and in jail! After weeks of handwringing and outrage from a wide and diverse universe, Sam Bankman-Fried, the founder of cryptocurrency exchange FTX, was arrested and detained in the Bahamas and is pending extradition to the U.S. Money on the exchange has disappeared with wild allegations of fraud and gross negligence. It almost reads like a cautionary "things you should not do when running a business" book. The collapse and fallout have reverberated through the crypto landscape.

Is there a lesson here? Various factions are digging in, with crypto naysayers claiming their criticism has been validated while supporters claim FTX and its founder were merely bad actors taking advantage of the situation. I prefer to be more general: It always seems like we get back to basics when it comes to assessing whether or not to invest in something. If you don't completely understand an investment – stay away. If it seems too good to be true – ditto. Don't get caught up in hype, and don't discount risks. Remember that every product or investment relies on people, and if you aren't comfortable with the experience and competence of the people behind the product or investment, you should avoid it.

Coming this week

- This should be a pretty quiet week, with markets still digesting the possibility of higher rates lingering longer.
- We will get consumer confidence on Wednesday and leading indicators on Thursday. Thursday will also bring the final reading of third-quarter gross domestic product (GDP). The second reading in November was +2.9%, and expectations are for the number to remain unchanged.
- Finally, on Friday we will see personal spending and consumer sentiment data before everything winds down for the Christmas holiday.

Equities:	1 WK	YTD	1 YR	3 YRS	5 YRS
S&P 500	-2.08%	-19.17%	-17.48%	6.47%	7.56%
NASDAQ	-2.72%	-31.57%	-29.48%	6.69%	9.07%
DJIA	-1.66%	-9.41%	-8.29%	5.25%	5.96%

Interest Rates:	12/16/2022	12/9/2022
UST 10 YR Government Bond Yield	3.49%	3.59%
Germany 10 YR	2.153%	1.932%
Japan 10 YR	0.251%	0.259%
30 YR Mortgage	6.60%	6.63%
Oil	$74.51/ppb	$71.50/ppb
Regular Gas	$3.35/ppg	$3.50/ppg

All data as of December 16, 2022

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