Market Review

U.S. Fed hikes again by 75 basis points

The Federal Reserve raised interest rates by three-quarters of a percentage point as it continued to battle the worst outbreak of inflation in 40 years, but signaled future increases in borrowing costs could be made in smaller steps to account for the “cumulative tightening of monetary policy” it has enacted so far. The policy decision set the target federal funds rate in a range between 3.75% and 4.00%, the highest since early 2008. The U.S. central bank has raised rates at its last six meetings beginning in March, marking the fastest round of rate increases since former Fed Chair Paul Volcker’s fight to control inflation in the 1970s and 1980s. U.S. stocks climbed after the Fed decision but then declined as Federal Reserve Chairman Jerome Powell, in a speech, cautioned against any sense the central bank will soon move to the sidelines with interest rate rises. Investors had been widely anticipating a 75-basis point rate hike, while hoping the Fed would signal a willingness to begin downsizing the rate hikes at its December meeting. The S&P 500 had already been lower prior to the policy announcement, as the ADP National Employment report showed U.S. private payrolls increased more than expected in October, giving more reason to the Fed to continue an aggressive path of rate hikes. Private employment increased by 239,000 jobs last month. Data for September was revised down to show 192,000 jobs created instead of 208,000 as previously reported. Economists had forecast an increase of 195,000 private jobs. Investors will get more looks at the labor market in the form of weekly initial jobless claims on Thursday and the October payrolls report on Friday that will help drive expectations for interest rate hikes. With nearly 70% of S&P 500 companies having reported earnings for the quarter, growth estimates have moved slightly higher to 4.8% from 4.7% the previous day and 4.5% at the start of October. Advanced Micro Devices Inc rose after it forecast some strength instead of 208,000 as previously reported. Economists had forecast an increase of 195,000 private jobs. Investors will get more looks at the labor market in the form of weekly initial jobless claims on Thursday and the October payrolls report on Friday that will help drive expectations for interest rate hikes. With nearly 70% of S&P 500 companies having reported earnings for the quarter, growth estimates have moved slightly higher to 4.8% from 4.7% the previous day and 4.5% at the start of October. Advanced Micro Devices Inc rose after it forecast some strength.

Distillate stocks rose only marginally ahead of the key heating season, up activity ahead of the winter heating season. U.S. crude oil stocks fell raised interest rates for the fourth time this year. The market was earlier up 2.1 per cent from October 2021, but down 0.6 per cent from 45.5 per cent from the year before and 12.8 per cent from September. Canada stocks tracked Wall Street lower. The Real Estate Board of October. Advanced Micro Devices Inc rose after it forecast some strength

Some key takeaways from the report:

- The Federal Reserve raised interest rates by three-quarters of a percentage point.
- The central bank has raised rates at its last six meetings beginning in March.
- U.S. stocks climbed after the Fed decision but then declined.
- Investors had been widely anticipating a 75-basis point rate hike, but the Fed signaled future increases in borrowing costs could be made in smaller steps.
- The labor market continues to improve, with private payrolls increasing more than expected.
- Growth estimates have moved slightly higher to 4.8% from 4.7%.
- Advanced Micro Devices Inc rose after forecasting some strength.

---

1) National Bank Financial is an indirect wholly owned subsidiary of National Bank of Canada.
2) National Bank of Canada is a public company listed on Canadian stock exchanges.
3) National Bank Financial may act as financial advisor, fiscal agent or underwriter for certain companies mentioned herein and may receive remuneration for its services.
4) National Bank Financial and/or its officers, directors, representatives or associates may have a position in the securities mentioned herein and may make purchases and/or sales of these securities from time to time in the open market or otherwise.
5) The information contained herein was obtained from sources which we believe to be reliable, however we cannot represent that it is accurate or complete.
6) This is not a recommendation for any security or investment sector as it may not be suitable for all types of investors. Please contact your investment advisor before purchase to discuss your investor profile and to further discuss these risk factors.