

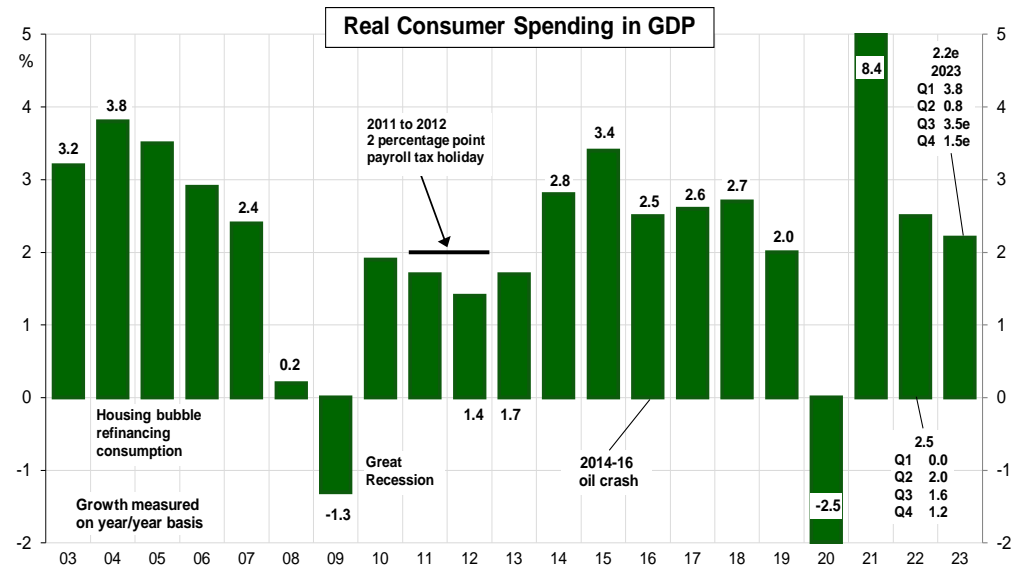
# Financial Markets This Week

29 SEPTEMBER 2023

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## CONSUMER OKAY

The consumer is doing okay despite a year and a half of the Fed's higher rates policy. Consumer spending isn't just tied to confidence, it is also how many consumers there are out there. There were 187 thousand more nonfarm payroll jobs in August, workers with paychecks to spend, and



there is no joblessness to speak of. At least we cannot trust that 0.3 percentage point tick up in the unemployment rate last month to 3.8% yet. Consumer spending declines normally when the unemployment rate climbs in economic cycles. There are not any fewer consumers seen in the labor market data, and "how the consumer is feeling" is mixed with consumer confidence on Tuesday from the Conference Board survey down in September, while the consumer sentiment survey on Friday from the University of Michigan is the word of the day: resilient. We will see if there is a Federal government shutdown at the end of the weekend. Consumer confidence dropped during the last shutdown from Friday, December 21, 2018 to January 25, 2019. But payroll employment rose 311K in January 2019 as furloughed Federal employees had no effect on the data because they worked or received pay, or would receive pay for the pay period that includes the 12<sup>th</sup> of the month. And no visible effect on real GDP growth. That's clear. The unemployment rate only rose a tenth to 4.0% in January 2019, but could have been higher if furloughed Federal workers were all properly classified as unemployed on temporary layoff. That's clear too.

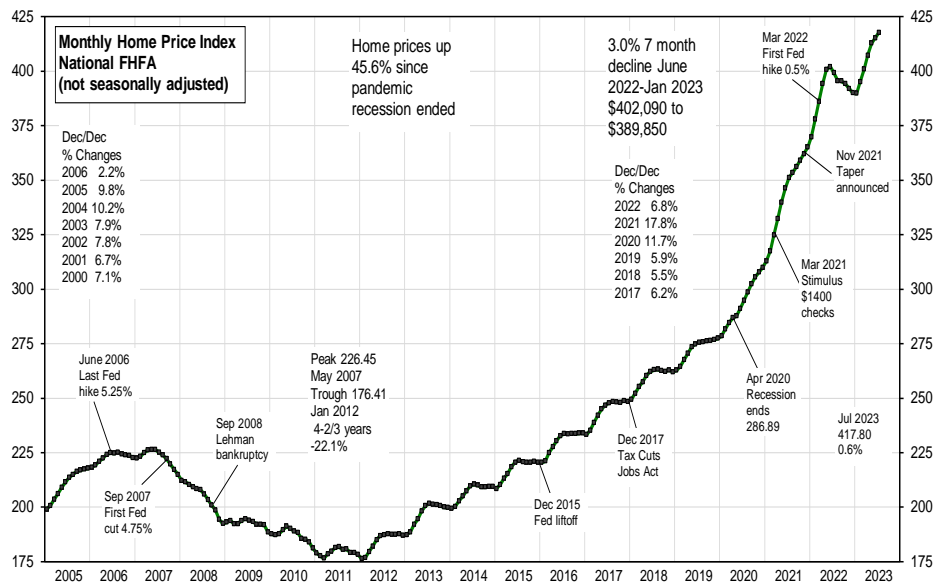
What isn't clear is why core PCE inflation was just 0.1% in August unlike core CPI inflation released a couple of weeks ago that rose 0.3% in August. Not that we mind. Even though we have stopped rooting for a Fed rate cut because (1) we will like the interest from our money market funds, and the stock market will forget about a higher for longer Fed eventually, and (2) we are concerned about a

new housing bubble where home prices in July are at record highs and up 45 percent from the pandemic.

**Next up: September CPI inflation report Thursday, October 12**

Monthly % Changes	2023							2022					2021			2020
	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	
Core CPI inflation	0.3	0.2	0.2	0.4	0.4	0.4	0.5	0.4	0.4	0.3	0.3	0.6	0.6	0.3	0.6	
Core PCE inflation	0.1	0.2	0.2	0.3	0.3	0.3	0.4	0.5	0.4	0.3	0.3	0.5	0.5	0.2	0.6	
Core PCE YOY	3.9	4.3	4.3	4.7	4.8	4.8	4.8	4.9	4.9	5.1	5.3	5.5	5.2	5.0	5.2	
Core CPI YOY	4.3	4.7	4.8	5.3	5.5	5.6	5.5	5.6	5.7	6.0	6.3	6.6	6.3	5.9	5.9	

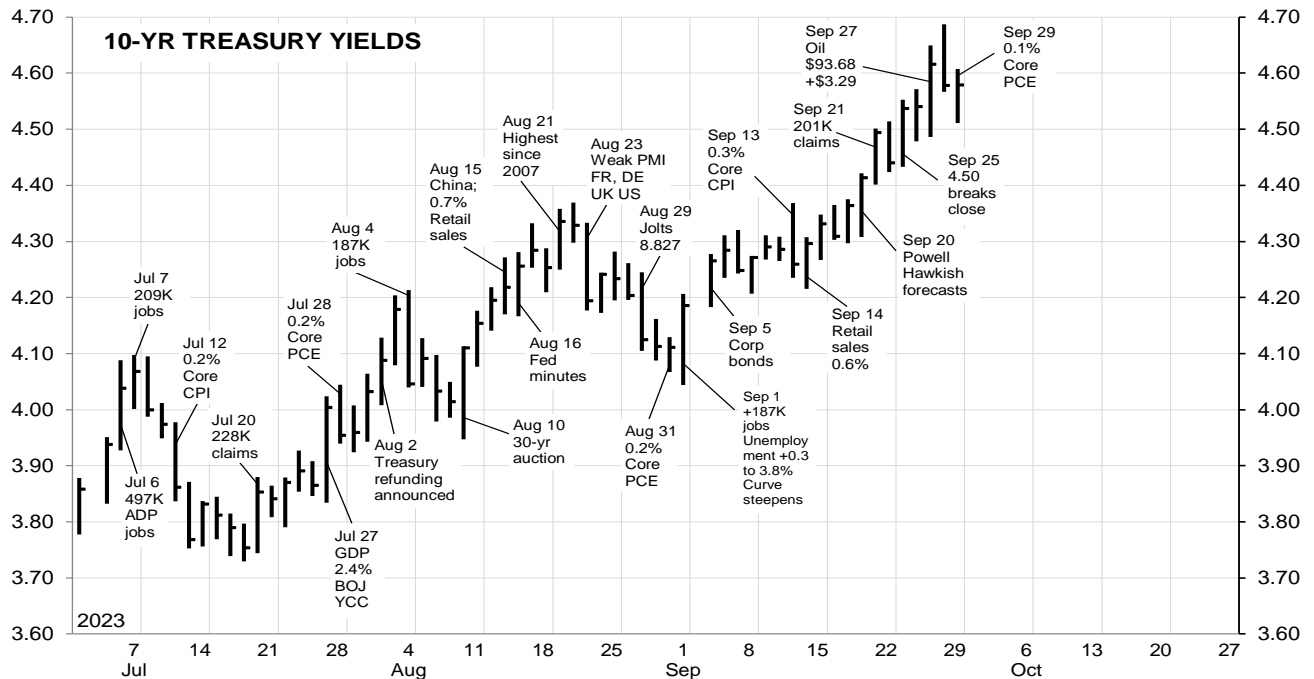
We say consumer spending is okay, but it is having some on-off quarters even if we expect real consumption expenditures of 2.2% full year 2023 slightly lower than 2.5% in 2022. Q1 2023 was 3.8% thanks to the jump in car and light truck sales in January. Spending slowed to 0.8% in Q2 2023 where we thought it was 1.7% before the annual revisions on Thursday. Motor vehicles no longer added 0.80 percentage points to Q1 2023 real GDP, it subtracted 0.27 percentage points in Q2 2023. Student loan repayments did not start until August, but clothing and footwear fell in Q2 2023. There was also a big drop in Other services and Health care added less to GDP and consumption in Q2 2023.



For Q3 2023, data now through August says 3.5% real consumer spending is on track, even with a big jump of 0.6% in July followed by 0.1% in August. Motor vehicle sales are flat this quarter, but household furnishings (furniture, major appliances) are adding a lot, same thing for computer software and accessories. Services are adding a lot in Q3 2023, the bigger jump in July. Health care always adds a lot. Air travel is significant in August. Restaurants were big in July. Financial services were huge in July with half of that spending on “Portfolio management and investment advice services.” Wonder where the customers’ boats are now after the stock market collapsed in September.

For Q4 2023, we cut the real consumer spending back to 1.5% in part because of student loan repayments which resumed in August. Department of Education receipts were \$6.4 billion in August and are running \$6.8 billion in September, back to pre-pandemic levels, where most of 2023 had been \$1.0 to \$1.3 billion per month. Call it \$5 billion less each month for retail sales (clothing, shoes?) at the shops and malls with the resumption of student loan payments, keeping in mind total retail sales in August were \$697.6 billion. Student loans are not a drop in the bucket for the economy, but the effect may be less than assumed, and we pushed real consumption back down to 1.5% in Q4 2023. Stay tuned. The consumer is not setting any speed records, but they are alive and well. No recession.

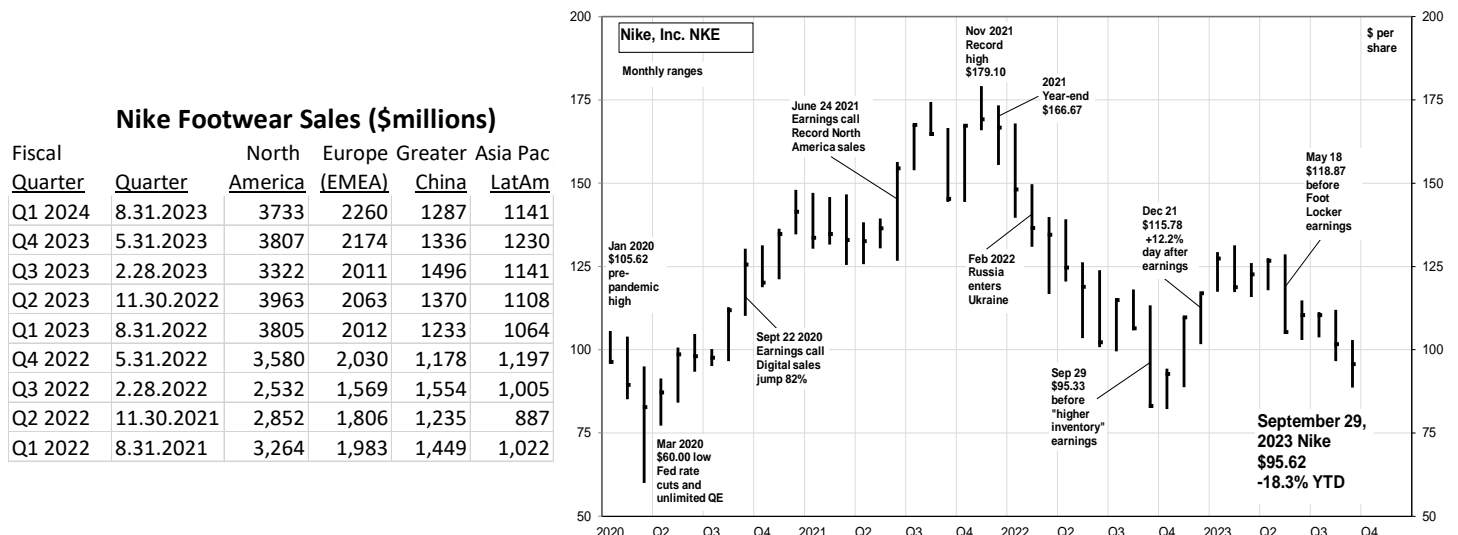
INTEREST RATES



Wild week with stock market meltdown on breakout high on Treasury yields. 4.68% high after GDP data on Thursday, the Fed is higher for longer stuff, but then again the Fed funds rate is 5.50%. Haven't seen it in a while, but a close above a round number like 4.50%, as happened Monday night, tends to keep the trend going in the same direction and that was true this week. Higher crude oil prices, "inflation," up \$3.29 to \$93.68 on Thursday brought bond yields to as high as 4.65%. Yields came down on 0.1% core PCE inflation Friday, but did not hold it, and closed the week at 4.58%. Stocks fell hard to Wednesday's low, down 8.0% from the July 27 high, and down 11.0% from all-time high in January 2022. Not sure what stocks want to see besides bond yields stabilizing. Rally into close of the quarter is holding despite possible Federal government shutdown early Sunday morning.

Nike, Inc. (NKE) down 18.3% YTD

A relief rally after earnings on Thursday evening rallied the stock 6.7% on Friday. Earnings beat, but footwear sales look soft. The stock has been buffeted by earnings of companies that sell its products. Nike was \$102.86 on August 21 before DICK'S Sporting Goods shares dropped 24.1% after announcing earnings the next morning. Nike was \$118.87 before Foot Locker in May.



Nike Footwear Sales (\$millions)

Fiscal Quarter	Quarter	North America	Europe (EMEA)	Greater China	Asia Pac LatAm
Q1 2024	8.31.2023	3733	2260	1287	1141
Q4 2023	5.31.2023	3807	2174	1336	1230
Q3 2023	2.28.2023	3322	2011	1496	1141
Q2 2023	11.30.2022	3963	2063	1370	1108
Q1 2023	8.31.2022	3805	2012	1233	1064
Q4 2022	5.31.2022	3,580	2,030	1,178	1,197
Q3 2022	2.28.2022	2,532	1,569	1,554	1,005
Q2 2022	11.30.2021	2,852	1,806	1,235	887
Q1 2022	8.31.2021	3,264	1,983	1,449	1,022

FEDERAL RESERVE POLICY

The Fed meets October 31-November 1, 2023 to consider its monetary policy. A week past the September meeting, and we are less sure of their logic, as logical as 19 people with one Chair can be, with the higher for longer mantra. It seems to have something to do with making sure the inflation fire is dead and out. Smokey the Bear stuff. Because it looks like inflation is moving their way. Core PCE monthly: 0.17% June, 0.22% July, 0.14% August. On Friday, core PCE inflation is down to 3.9% year-on-year in August, where Fed economists had expected, as told by Powell at the press conference. 3.9% today and those forecasts the individual Fed participants

scribble on a piece of paper say it will be 3.7% in Q4 2023. And the forecast for Q4 2024 is 2.6%. But at the end of 2024 the Fed funds rate will still be 5.25% in their forecasts. Real yields are pretty high, not that you can steer the economy like a car very well with real yields. Seems like interest rates would be lower if inflation comes all the way down there. Time will tell. We have mixed feelings on this 5.25% too high Fed funds rate at the end of 2024. Careful what you wish for. We are not sure interest rates should come all the way down to longer run “neutral” of 2.5% because of the housing price bubble. When they first did these forecasts in 2012 under Bernanke, they thought the neutral rate was 4.25%. Fine by us. Stop there. A risk free rate is at least 3%.

At the moment, the market is betting on only 9.5 bps of a 25 bps rate hike by the December meeting.

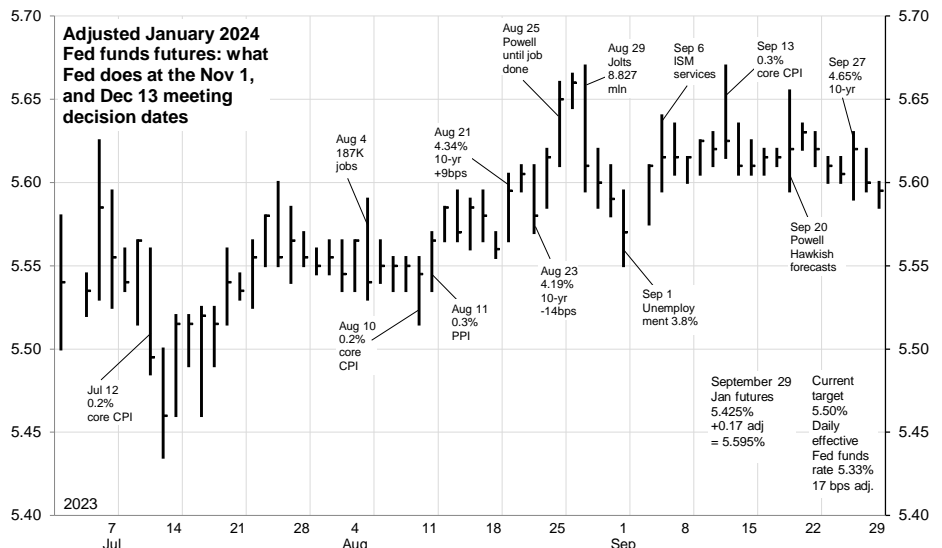
Selected Fed assets and liabilities						Change from
Fed H.4.1 statistical release	27-Sep	20-Sep	13-Sep	6-Sep	3/11/20*	3/11/20 to Sep 27
<b>Factors adding reserves</b>						
U.S. Treasury securities	4958.138	4960.735	4982.479	4988.471	2523.031	2435.107
Federal agency debt securities	2.347	2.347	2.347	2.347	2.347	0.000
Mortgage-backed securities (MBS)	2479.726	2494.460	2498.870	2498.870	1371.846	1107.880
Repurchase agreements	0.000	0.000	0.000	0.006	242.375	-242.375
Primary credit (Discount Window)	3.193	3.078	2.698	2.051	0.011	3.182
Bank Term Funding Program	107.715	107.599	107.993	107.855		
FDIC Loans to banks via Fed	81.883	85.005	133.369	133.796		
Paycheck Protection Facility	5.178	5.339	5.477	5.526		
Main Street Lending Program	19.352	19.326	19.579	19.556		
Municipal Liquidity Facility	5.629	5.626	5.623	5.621		
Term Asset-Backed Facility (TALF II)	1.220	1.219	1.218	1.216		
Central bank liquidity swaps	0.238	0.247	0.230	0.232	0.058	0.180
<b>Federal Reserve Total Assets</b>	<b>8052.5</b>	<b>8074.8</b>	<b>8149.5</b>	<b>8151.4</b>	<b>4360.0</b>	<b>3692.507</b>
3-month Libor %	5.32	5.30	5.30	5.30	1.15	4.170
<b>Factors draining reserves</b>						
Currency in circulation	2324.023	2325.195	2329.820	2355.050	1818.957	505.066
Term Deposit Facility	0.000	0.000	0.000	0.000	0.000	0.000
U.S. Treasury Account at Fed	672.142	661.717	537.364	481.552	372.337	299.805
Treasury credit facilities contribution	13.358	13.358	13.358	13.358		
Reverse repurchases w/others	1442.805	1486.984	1546.225	1606.244	1.325	1441.480
<b>Federal Reserve Liabilities</b>	<b>4884.031</b>	<b>4930.373</b>	<b>4838.933</b>	<b>4860.964</b>	<b>2580.036</b>	<b>2303.995</b>
<b>Reserve Balances (Net Liquidity)</b>	<b>3168.502</b>	<b>3144.404</b>	<b>3310.525</b>	<b>3290.475</b>	<b>1779.990</b>	<b>1388.512</b>
Treasuries within 15 days	62.350	55.950	42.893	41.877	21.427	40.923
Treasuries 16 to 90 days	245.934	254.315	273.167	279.944	221.961	23.973
Treasuries 91 days to 1 year	613.336	614.151	624.023	624.428	378.403	234.933
Treasuries over 1-yr to 5 years	1706.178	1706.087	1712.269	1712.154	915.101	791.077
Treasuries over 5-yrs to 10 years	826.774	826.726	826.677	826.629	327.906	498.868
Treasuries over 10-years	1503.565	1503.507	1503.449	1503.441	658.232	845.333
Note: QT starts June 1, 2022	Change	9/27/2023	6/1/2022			
U.S. Treasury securities	-812.641	4958.138	5770.779			
Mortgage-backed securities (MBS)	-227.720	2479.726	2707.446			

\*March 11, 2020 start of coronavirus lockdown of country

Fed Individual Forecasts					
Fed funds rate at year-end					Longer
Votes	2023 End	2024 End	2025 End	2026 End	run
1	5.375	4.375	2.625	2.375	2.375
2	5.375	4.375	2.875	2.375	2.375
3	5.375	4.625	3.125	2.375	2.375
4	5.375	4.625	3.375	2.500	2.500
5	5.375	4.625	3.375	2.625	2.500
6	5.375	4.875	3.375	2.625	2.500
7	5.375	4.875	3.625	2.625	2.500
8	5.625	4.875	3.625	2.625	2.500
9	5.625	4.875	3.625	2.625	2.500
10	5.625	5.125	3.875	2.875	2.500
11	5.625	5.125	3.875	2.875	2.500
12	5.625	5.125	4.125	3.125	2.625
13	5.625	5.125	4.125	3.125	2.625
14	5.625	5.375	4.125	3.875	3.000
15	5.625	5.375	4.625	4.125	3.250
16	5.625	5.375	4.875	4.125	3.500
17	6.625	5.375	5.125	4.625	3.750
18	5.625	5.625	5.375	4.875	3.750
19	5.625	6.125	5.625	4.875	
Median	5.625	5.125	3.875	2.875	2.500
Meeting	Sep 23	Sep 23	Sep 23	Sep 23	Sep 23

Fed Policy-key variables					Fed Meeting
	2023	2024	2025	2026	
Fed funds	5.6	5.1	3.9	2.9	Sep
Core inflation	3.7	2.6	2.3	2.0	Sep
Real rates	1.9	2.5	1.6	0.9	Sep
Fed funds	5.6	4.6	3.4		Jun
Core inflation	3.9	2.6	2.2		Jun
Real rates	1.7	2.0	1.2		Jun

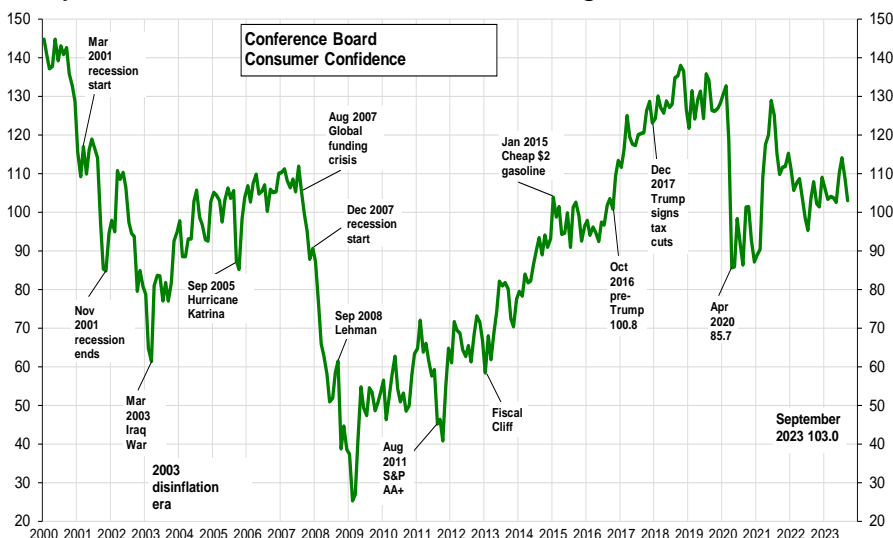
Fed funds futures call Fed hikes	
Current target: September 29 -- 5.50%	
Rate+0.17 Contract	Fed decision dates
5.540 Nov 2023	Nov 1
5.595 Jan 2024	Nov 1, Dec 13
Last trade, not settlement price	



OTHER ECONOMIC NEWS

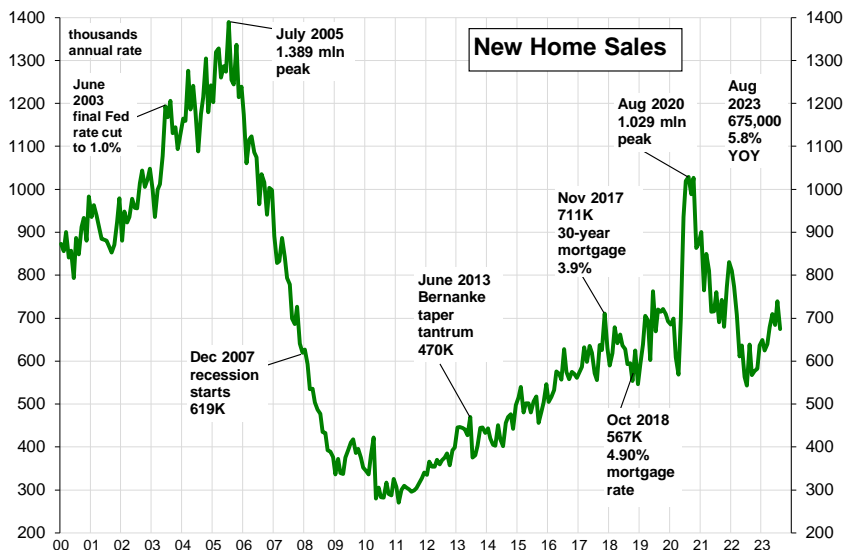
Confidence, new home sales, stock market down (Tuesday)

Breaking economy news. New home sales and consumer confidence came in on the downside today. Consumer confidence in August was revised higher to 108.7 from 106.1, but the index declined back to 103.0 in September. If the forecast is between one step forward, and two steps back, the consumer is saying the outlook ahead is two-steps back. New home sales are in retreat as well with sales plummeting 8.7% in August. Everywhere you look the consumer is in headlong retreat with the loss of confidence from higher for longer interest rates likely to take a toll on consumer spending in the months ahead just like the downward trend already seen in new home sales. Inflation is slowing, but prices are still higher than they were before the pandemic and this is taking a toll on consumer confidence. The cost-of-living crisis unleashed by the Fed might just put those recession forecasts back on the table for next year if not before then.



Net, net, the consumer continues to spend at a moderate pace, but for how long, with confidence declining sharply at the end of the third quarter. New home sales tumbling in August were nothing to write home about either. Estimates for the broader economy are strong in the third quarter, but today's economic data may cause the data-dependent Federal Reserve to rethink those sky-high GDP forecasts. Joblessness remains near historic lows, but inflation the last few years has boosted prices of food at the supermarket and gasoline that you put in the tank to truly depressing levels, and the consumer confidence survey reflects that. The cost-of-living crisis is real. Bet on it. The stock market is.

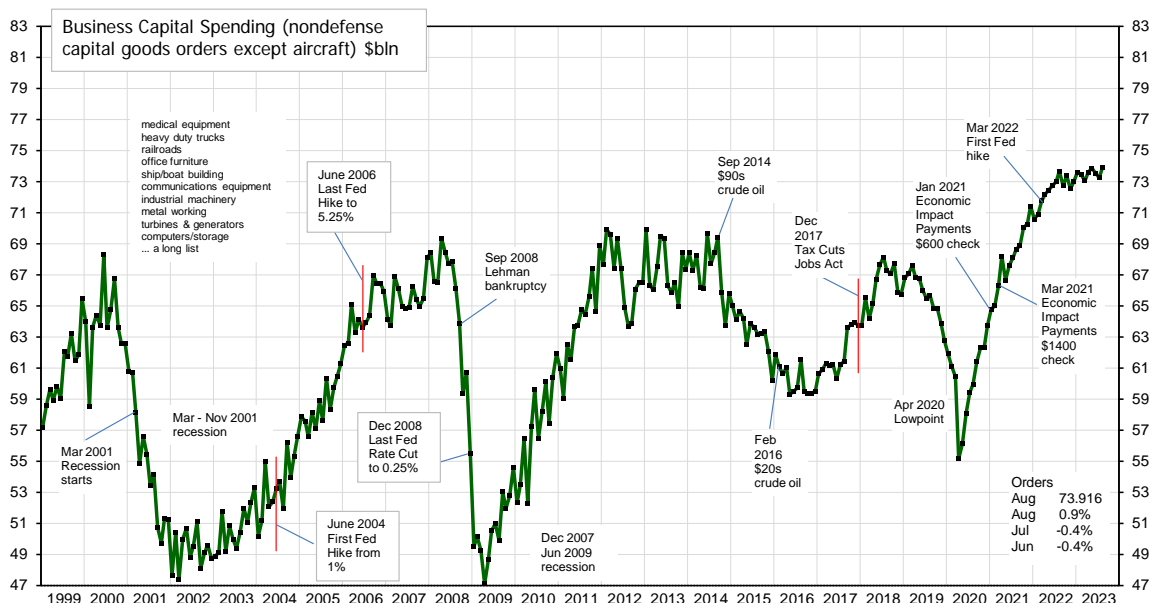
New Home Sales						Median Price \$
Total	Northeast	Midwest	South	West		
2021 Year	771	36	86	453	196	397,100
2022 Year	641	33	66	392	150	457,800
Jan 2023	649	41	73	414	121	432,100
Feb	625	23	72	408	122	433,000
Mar	640	53	64	374	149	438,900
Apr	679	34	71	419	155	417,200
May	710	32	72	425	181	421,200
Jun	684	33	58	439	154	416,700
Jul	739	30	93	414	202	436,600
Aug	675	32	77	383	183	430,300
Thousands at Seasonally Adjusted Annual Rate						



## Key durables orders new high (Wednesday)

Breaking economy news. Durable goods orders. Nondefense capital goods orders ex-aircraft, our monthly proxy for business capex, jumped 0.9% to a new record in August, and last month's 0.1% increase was revised to a 0.4% decline. June orders also declined 0.4%, so the August level of \$73.916 billion is just a tad higher than \$73.873 billion in May. The Fed's rate hikes the last year and a half have definitely taken some punch out of demand for core durable equipment used by manufacturers. Nondefense capital goods orders have slowed to 2.1% from last year levels, dragged down by the 4.6% year-year drop in communications equipment. In the August orders, Machinery rose 0.5%, Computers and related products increased 2.6% (after falling 1.7% in July), and Electrical equipment, appliances and components rose 1.1%.

Net, net, core capital goods orders from companies hit a new all-time high in August, a record that is tarnished by last month's downward revision. Pull back the curtain and see the reality which is orders have been bumping up near these record levels most of the year. There is a slowdown, and some caution in the air. Business demand for capital goods to help companies produce the goods and provide the services the economy needs to grow in the long run has slowed over the last year which puts a question mark over the outlook. Consumer demand is strong so far in the third quarter but for how long businesses might be wondering. The market is not looking for any more Fed rate hikes this year and this report certainly is not evidence of a hot economy that needs to be braked even harder. Business is not booming, but there has been a rebound from the soft patch at the start of the summer.





### Inflation we hardly knew you (Thursday)

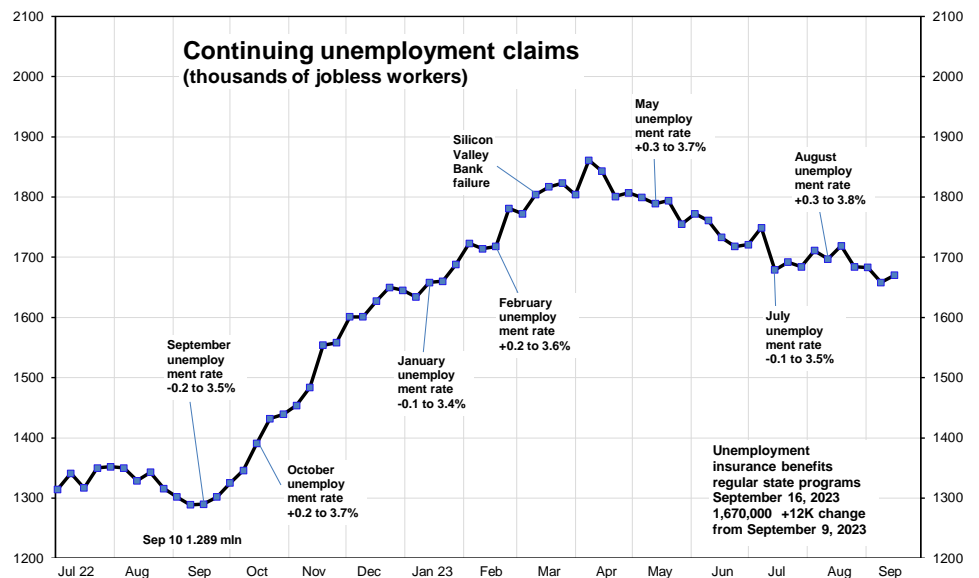
Breaking economy news. The major benchmark revision to GDP going back to 2013 brings some uncomfortable truths to light, one of them being inflation was worse than we thought. Inflation we hardly knew ye, up through the start of the summer anyway. The Fed is making less progress in its inflation battle and this means the odds of another rate hike this year just went up exponentially. The backward look at the inflation data certainly gave bond markets a fright this morning with the 10-year Treasury yield going to a new 2023 high of 4.67%, fitting perhaps as core PCE inflation in Q2 2023 got revised up to 4.6% year-on-year from 4.4% where we knew it last to be after the second quarter revision to GDP made a month ago.

Revisions to economic growth were modest and Q2 2023 remains at 2.1%. Somewhat unexpected was the jumpy, on-off consumer spending data were not smoothed out, but instead cut in the first half of 2023, as core

U.S. Economy: Real GDP sector contribution							
	Annual			Quarterly			
	2020	2021	2022	Q3 22	Q4 22	Q1 23	Q2 23
Real GDP growth %	-2.2	5.8	1.9	2.7	2.6	2.2	2.1
Consumer spending %	-2.5	8.4	2.5	1.6	1.2	3.8	0.8
<b>Consumer Spending</b>	-1.7	5.6	1.7	1.1	0.8	2.5	0.6
Durables	0.6	1.3	0.0	0.1	-0.1	1.1	0.0
Nondurables	0.5	1.2	0.1	-0.3	0.1	0.1	0.1
Services	-2.7	3.1	1.7	1.2	0.8	1.4	0.4
<b>Investment</b>							
Business construction	-0.3	-0.1	-0.1	0.0	0.2	0.8	0.5
Business Equipment	-0.6	0.3	0.3	0.3	-0.3	-0.2	0.4
Intellectual Property	0.2	0.5	0.5	0.4	0.3	0.2	0.2
Residential construction	0.3	0.5	-0.4	-1.4	-1.2	-0.2	-0.1
<b>Inventories</b>	-0.5	0.3	0.6	-0.7	1.6	-2.2	0.0
<b>Net exports</b>	-0.2	-1.3	-0.5	2.6	0.3	0.6	0.0
Exports	-1.5	0.7	0.8	1.8	-0.4	0.8	-1.1
Imports	1.3	-1.9	-1.2	0.8	0.7	-0.2	1.1
<b>Government</b>	0.6	-0.1	-0.2	0.5	0.9	0.8	0.6
Federal defense	0.1	-0.1	-0.1	0.0	0.3	0.1	0.1
Federal Nondefense	0.3	0.2	-0.1	0.1	0.3	0.3	0.0
State and local	0.2	-0.2	0.0	0.4	0.3	0.5	0.5

Percentage point contributions to GDP growth are below dark solid line

consumer inflation was higher. Real consumer spending in Q2 2023 was only 0.8% down from 1.7%, and Q1 2023 real consumer spending of 4.2% was cut back to 3.8%. The strength in consumer spending earlier this year was inflationary and not real. For jobless claims, the number would have been weaker without some notable increases in California, Ohio, and Michigan, possibly strike related. First-time applications rose modestly from 202K in the September 16 week to 204K in the September 23 week.



Net, net, inflation is worse and the labor market is rock solid with low jobless claims and no rebalancing in economic demand to be seen. The Fed hasn't nailed inflation yet and this increases the risks of another rate hike this year. The major news is that inflation was higher in the first half of 2023, and while this is a shock, we will see the current trend better

tomorrow when we get July revisions and August consumer inflation with the personal income report. Stay tuned. Story developing. It's not lights out yet, for the economy, but the lights are dimming like a storm is approaching for the economy and markets, especially if the Federal Reserve needs to tighten it up another notch. They haven't gone too far yet, but that could change.

0.1% core PCE inflation (Friday)

Breaking economy news. Core consumer inflation came to a screeching halt in August, or nearly so, with a 0.1% increase versus the stronger 0.3% print for August core CPI released a couple of weeks ago. The economy hit the summer doldrums in August with consumer purchases of hard goods at the shops and malls dropping and the slower demand cooled inflation pressures as well apparently.

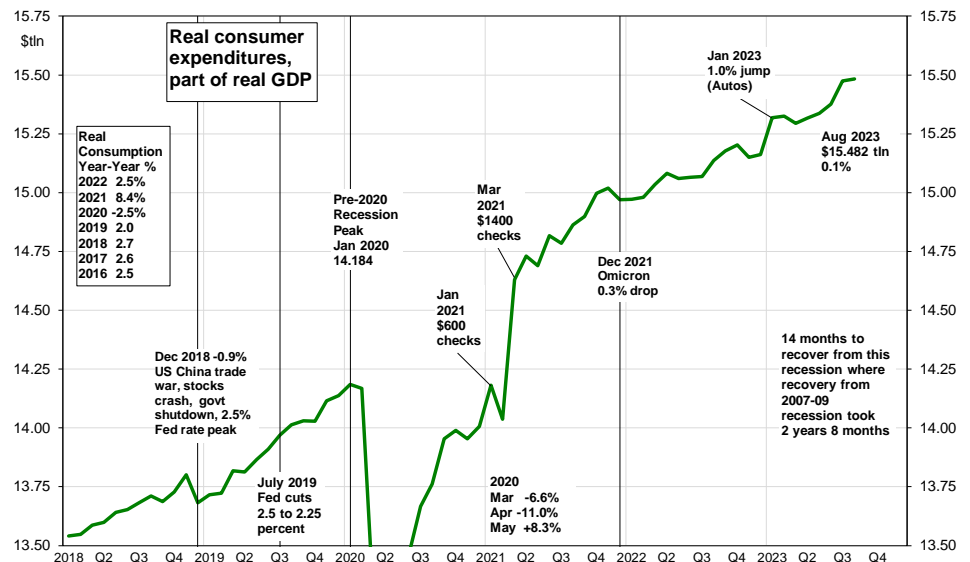
Yesterday's news that core PCE inflation ran hotter in the first half of the year after annual revisions meant nothing and shows how quickly the cooling down trend in inflation has been in the third quarter. The year-year percent changes were higher in the first half of 2023, but the monthly changes starting in March this year were the same after revision. Powell emphasized in questioning at last week's press conference that it is monthly changes they are watching like a hawk.

Dec 2022 Weight	Year-Year % Change				Monthly % changes			
	Dec 2020	Dec 2021	Dec 2022	Aug 2023	May 2023	Jun 2023	Jul 2023	Aug 2023
1.000 PCE inflation	1.4	6.2	5.4	3.5	0.1	0.2	0.2	0.4
0.080 Food at home	3.9	5.7	11.1	3.1	0.2	-0.1	0.2	0.2
0.025 Energy goods (gas)	-14.6	47.3	1.6	-4.0	-5.5	0.7	0.2	10.2
0.019 Electricity/Gas	2.6	10.2	15.7	-2.7	-1.3	0.4	-0.1	0.2
0.876 Core PCE	1.6	5.2	4.9	3.9	0.3	0.3	0.2	0.2
<b>Durable goods</b>								
0.021 New vehicles	1.8	11.5	7.0	3.1	-0.1	0.0	-0.1	0.3
0.013 Used vehicles	10.1	37.0	-8.1	-6.7	4.5	-0.4	-1.3	-1.2
0.026 Furnishings	3.6	8.5	4.9	-2.1	-0.6	-0.3	-0.2	0.2
0.036 Recreational	-1.2	1.1	-1.5	-5.0	-0.2	-0.8	-1.2	-0.8
<b>Nondurable goods</b>								
0.028 Clothing	-4.4	5.6	2.9	2.9	0.4	0.3	0.0	0.3
0.027 Prescription drugs	-2.4	0.0	1.8	2.8	0.1	0.0	0.0	0.4
0.010 Personal care	-0.3	0.4	8.1	5.6	1.1	0.2	0.4	0.3
0.229 Goods x-foodenergy	0.1	6.2	3.1	0.5	0.4	-0.2	-0.5	0.0
0.647 Services ex-energy	2.1	4.9	5.5	5.1	0.3	0.3	0.5	0.2
0.034 Rents	2.3	3.3	8.3	7.8	0.5	0.5	0.4	0.5
0.116 Home prices	2.2	3.8	7.5	7.3	0.5	0.4	0.5	0.4
0.160 Health care	2.6	2.7	2.6	2.3	0.2	0.1	0.4	0.1
0.033 Transportation	-2.9	8.8	12.4	6.4	0.0	-0.4	1.0	0.4
0.038 Recreation	1.6	4.3	5.8	5.3	-0.3	0.5	0.7	0.2
0.061 Food services	4.3	6.7	7.6	6.1	0.5	0.4	0.2	0.2
0.011 Hotels/Motels	-8.1	20.0	2.5	3.0	1.7	-1.8	-0.2	-2.7
0.072 Financial/Insurance	2.7	7.1	3.8	5.7	-0.3	0.5	1.7	0.5
0.083 Other services	1.5	2.8	3.9	4.3	0.2	0.4	-0.1	0.2
0.030 Nonprofits	2.2	13.3	8.7	6.6	0.8	0.9	-0.4	-0.1

Year-year is Dec/Dec Percent Change

Net, net, the inflation news pendulum swings back in the Fed's favor today with core inflation coming to a near halt in August meaning those higher for longer interest rates may be of less duration than the bond market thinks next year. Fed officials got everything they wanted in this report with real consumer spending slowing to just 0.1% in August from 0.6% in July and 0.3% in June. Consumers look to be more cautious as they purchased fewer durable and nondurable goods in August.

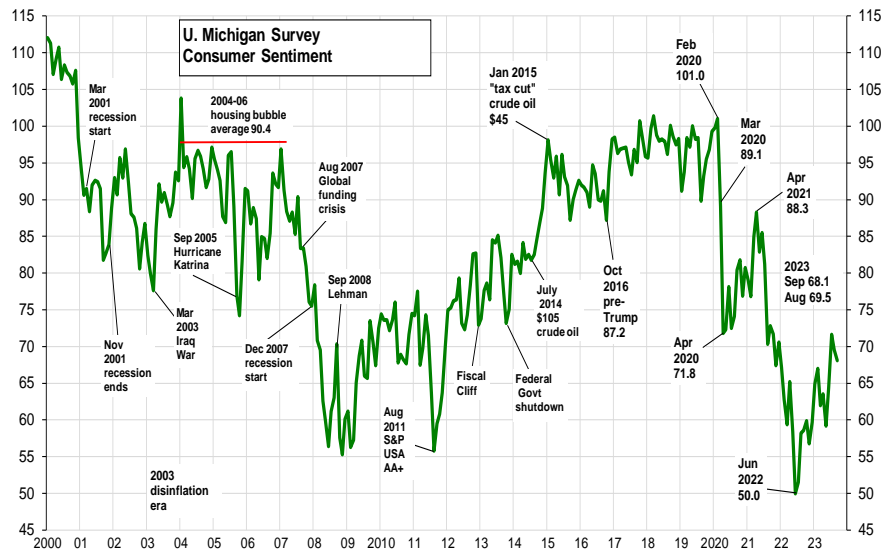
Consumer spending will still likely be stronger at 3.5% in the third quarter which backs up those 4% real GDP growth forecasts, where much of the growth is coming from increasing inventory levels as well. Stay tuned. Story developing. The economy is not too hot and not too cold, and if Congress keeps the Federal government open, the economy will turn out to be just right.



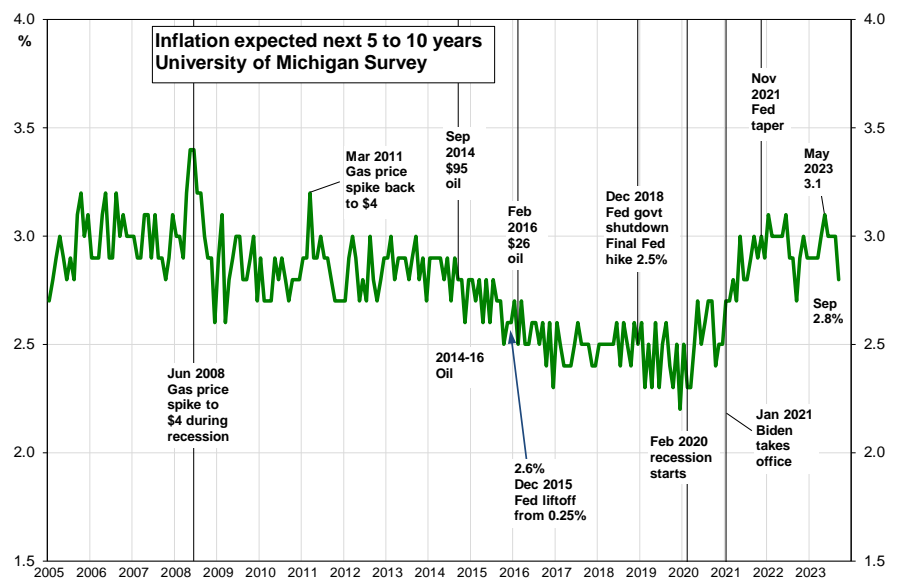


### Michigan survey of consumer sentiment (Friday)

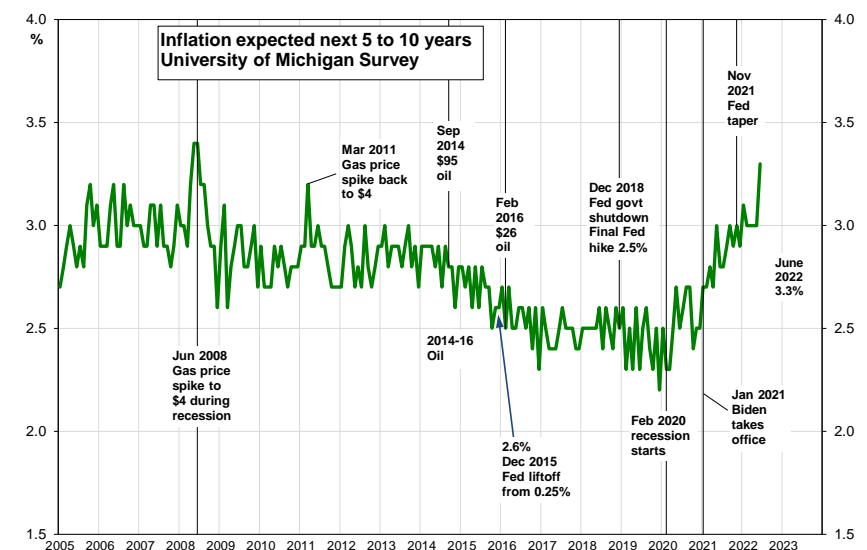
Breaking economy news. The University of Michigan survey of consumer sentiment was released on Friday at 10am ET when the market probably had enough for the week. The final results for September were from interviews conducted by September 25. The stock market was in free fall, although the final low was a couple days later on September 27. Consumers were oblivious, some concern about a potential Federal government shutdown and the autoworkers strike, but consumer sentiment was 68.1 in September versus 69.5 in August and not showing the decline found by the Conference Board consumer confidence survey released on Tuesday.



The public's understanding of long run inflation fell back to 2.8% in September from 3.0% in August. This is the famous inflation expectations survey that caused Powell "to call up the Wall Street Journal and tell them a 75 bps rate hike was now likely" for the June 14-15, 2022 Fed meeting, shortly after rates liftoff in March 2022. Anyway inflation expectations fell back, and if Powell is still taking this data "seriously" then perhaps the Fed is done on interest rate hikes for now.



The Michigan long run inflation expectations survey released Friday June 10, 2022 that Powell saw as a reason to shift the call from a 50 bps hike to a 75 bps rate hike (to 1.75%) on Wednesday, June 15, 2022.



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