

As Expected The Fed Cut Rates

As expected yesterday, the Fed cut the Fed Funds rate. With the expected 25bps rate cut, the new range for Fed Funds is 4.50-4.75%. The redlined second paragraph below, regarding inflation, is the only meaningful change to the FOMC statement. We think the Fed made the change to present a more hawkish stance. Furthermore, it may help combat the skittish bond market and stress its vigilance in fighting inflation. Also of note, this decision was unanimous, unlike the 50bps cut in September, which had one dissenting voter.

The following points are from Jerome Powell's press conference:

- He believes the recent rate increase has less to do with inflation and more with increased expected economic growth under Donald Trump.
- *?We remain on a path to a more neutral stance.?* Powell believes the Fed will continue to reduce rates, but the pace and terminal rate will be data-dependent. He reiterated that thought multiple times. We believe he is leaving the door open for anything from no rate cut to 50bps at the December meeting.
- Powell said the statement about inflation highlighted in the first paragraph is meant to show that the Fed remains flexible in bringing inflation to target. Again, it appears Powell doesn't want the market to think the Fed is on a predictable set course to get rates back to neutral.
- *?We don't comment on fiscal policy.?* But, Powell said the Fed thinks a lot about how fiscal policy and deficits affect the economy and inflation.
- The Fed is not overly concerned by the recent increase in rates. They focus more on *?persistent changes to financial conditions.?*

As an aside, Donald Trump has said he will allow Jerome Powell to finish his term, which expires in May 2026.

Recent indicators suggest that economic activity has continued to expand at a solid pace. ~~job gain~~ Since earlier in the year, labor market conditions have generally ~~ea~~ slowed, and the unemployment rate has moved up but remains low. Inflation has made ~~further~~ progress toward the Committee's 2 percent objective but remains somewhat elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee ~~has gained greater confidence that inflation is moving sustainably toward 2 percent, and~~ judges that the risks to achieving its employment and inflation goals are roughly in balance. The economic outlook is uncertain, and the Committee is attentive to the risks to both sides of its dual mandate.















In ~~light of the progress on inflation and the balance of risk~~ support of its goals, the Committee decided to lower the target range for the federal funds rate by ~~1/2~~ 1/4 percentage point to ~~4-3/4 to 5 1/2~~ 4-3/4 percent. In considering additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.















In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Thomas I. Barkin; Michael S. Barr; Raphael W. Bostic; [Michelle W. Bowman](#); Lisa D. Cook; Mary C. Daly; Beth M. Hammack; Philip N. Jefferson; Adriana D. Kugler; and Christopher J. Waller. ~~Voting against this action was Michelle W. Bowman, who preferred to lower the target range for the federal funds rate by 1/4 percentage point at this meeting.~~














































What To Watch Today

Earnings

Friday Nov 8	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time		
 NRG Energy <small>NRG.US</small>		1.83	1.41		9.14B	7.95B	\$19.62B	Q3	PM	★	🔔
 Baxter International <small>BAX.US</small>		0.78	0.68		3.85B	3.71B	\$18.43B	Q3	PM	★	🔔
 Lamar Advertising <small>LAMR.US</small>		1.41	1.37		568.83M	542.6M	\$13.5B	Q3	PM	★	🔔
 Advanced Drainage Systems <small>1</small>		1.89	1.71		819.41M	780.2M	\$12.79B	Q2	PM	★	🔔
 Plains All American Pipeline <small>PA</small>		0.31	0.35		13.09B	12.07B	\$12.24B	Q3	AM	★	🔔
 Fluor New <small>FLR.US</small>		0.77	1.02		4.74B	4B	\$9.87B	Q3	PM	★	🔔
 Paramount Global <small>CBS.US</small>		0.24	0.30		6.94B	7.13B	\$6.93B	Q3	PM	★	🔔
 Icahn Enterprises <small>IEP.US</small>		0.21	-0.01		2.7B	2.99B	\$5.33B	Q3	PM	★	🔔
 Flowers Foods <small>FLO.US</small>		0.29	0.29		1.2B	1.2B	\$4.76B	Q3	AM	★	🔔
 Par Technology <small>PAR.US</small>		-0.09	-0.21		91.01M	107.1M	\$2.18B	Q3	PM	★	🔔
 Marcus & Millichap <small>MMI.US</small>		-0.19	-0.24		170.5M	162M	\$1.59B	Q3	AM	★	🔔
 Bloomin' Brands <small>BLMN.US</small>		0.20	0.44		1.04B	1.08B	\$1.37B	Q3	PM	★	🔔
 ANI Pharmaceuticals <small>ANIP.US</small>		1.08	1.27		143.98M	131.83M	\$1.21B	Q3	PM	★	🔔
 Hawaiian Electric Industries <small>HE</small>		0.55	0.56		917.15M	901.87M	\$1.16B	Q3	PM	★	🔔

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Economy

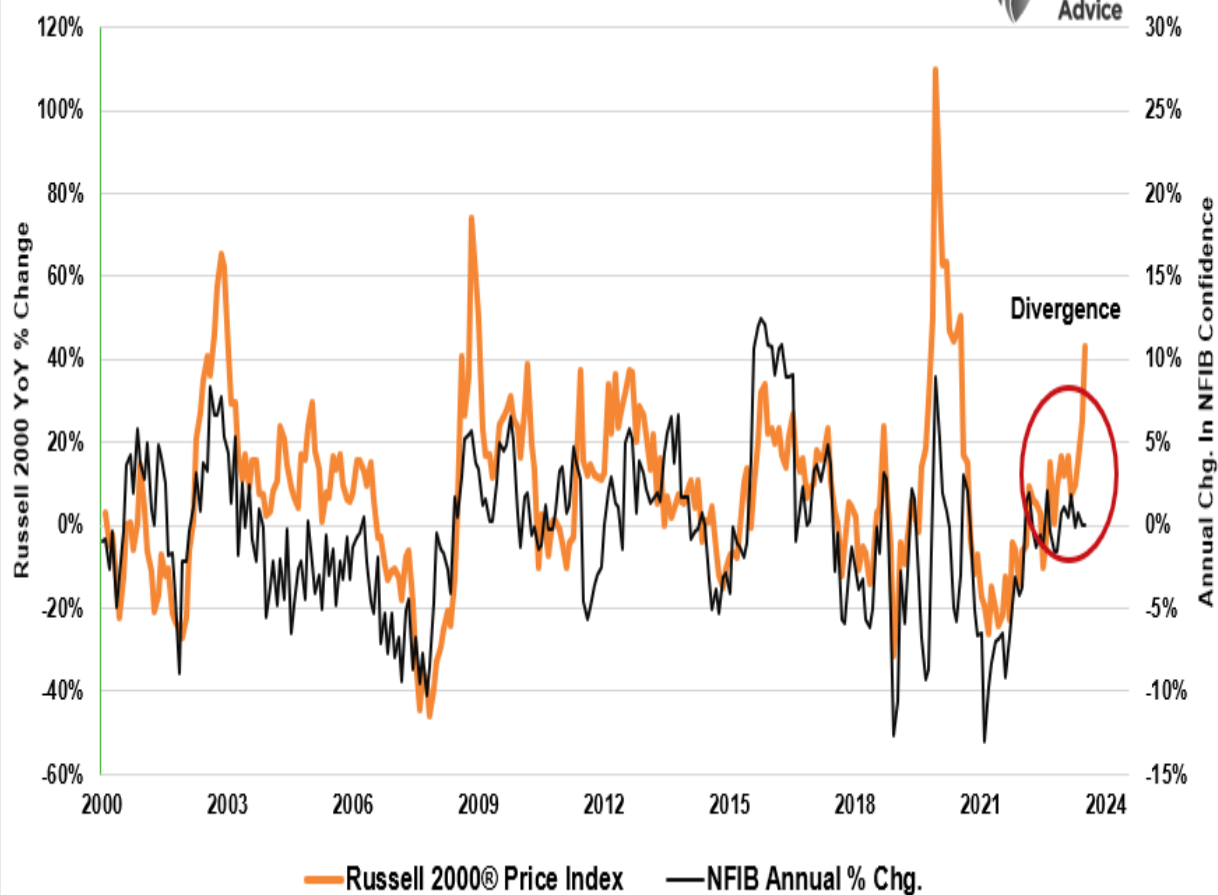
Friday November 08 2024			Actual	Previous	Consensus	Forecast		
10:00 AM	 US	Michigan Consumer Sentiment Prel NOV		70.5	71	70.6		
10:00 AM	 US	Michigan 5 Year Inflation Expectations Prel NOV		3%		3%		
10:00 AM	 US	Michigan Consumer Expectations Prel NOV		74.1		74.2		
10:00 AM	 US	Michigan Current Conditions Prel NOV		64.9		65.1		
10:00 AM	 US	Michigan Inflation Expectations Prel NOV		2.7%		2.7%		
11:00 AM	 US	Fed Bowman Speech						
12:00 PM	 US	WASDE Report						
01:00 PM	 US	Baker Hughes Oil Rig Count NOV/08		479				
01:00 PM	 US	Baker Hughes Total Rigs Count NOV/08		585				
Friday November 08 2024			Actual	Previous	Consensus	Forecast		
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10:00 AM	 US	Michigan 5 Year Inflation Expectations Prel NOV		3%		3%		
10:00 AM	 US	Michigan Consumer Expectations Prel NOV		74.1		74.2		
10:00 AM	 US	Michigan Current Conditions Prel NOV		64.9		65.1		
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Market Trading Update

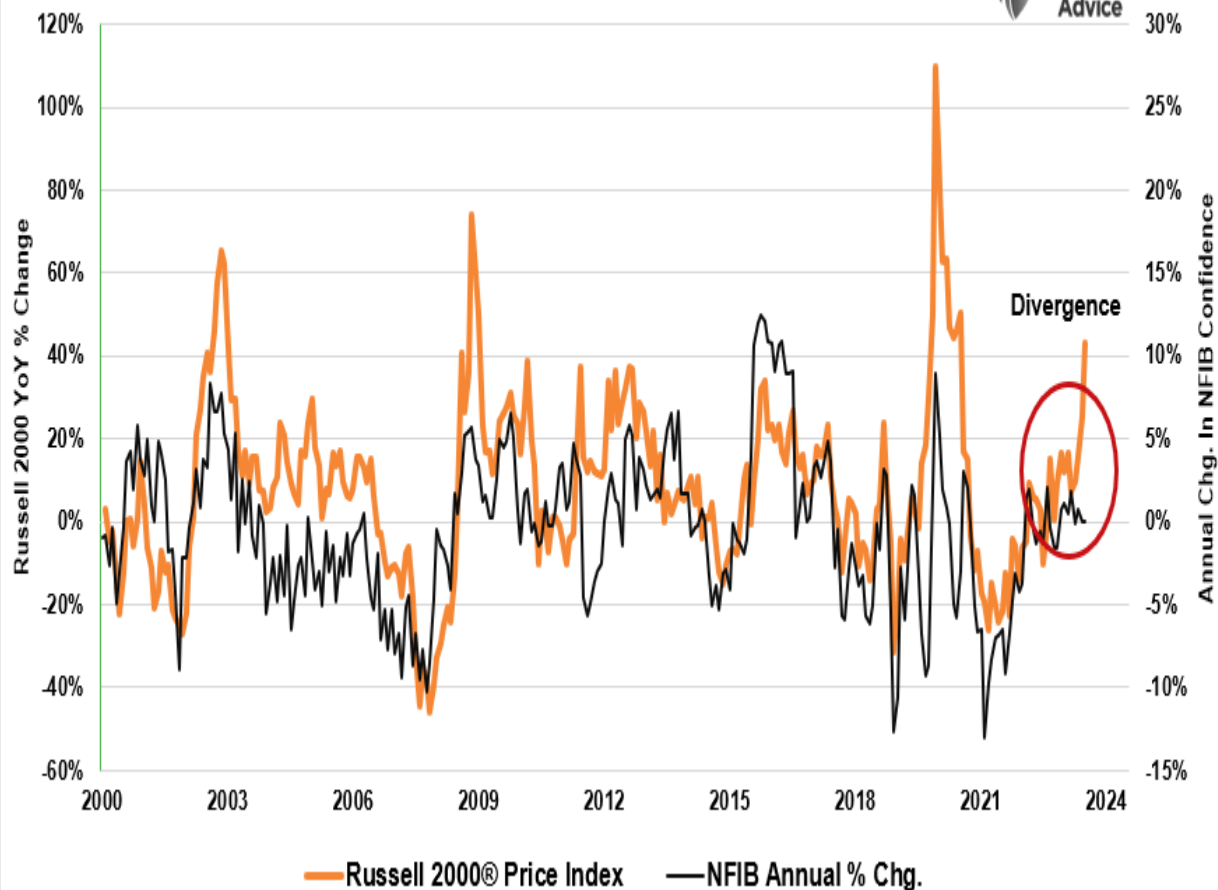
Yesterday, we discussed the massive surge in the markets following the election of President Trump. Notably, the massive surge in small/mid-cap stocks was the most compelling. As shown in the chart below, there is a very high correlation between small/mid-cap stocks' annual rate of change and the NFIB small business confidence index. Given that business owners typically lean conservative, favoring policies that promote economic growth, reduced regulations, and tax cuts, the election yesterday is supportive of business owners.

We suspect that the next iteration of the NFIB index will be a catchup move, fueled by an explosion of business owners' confidence. This should lead to increases in CapEx spending, employment, and wage growth.

NFIB Confidence Vs. Small-Cap Stocks



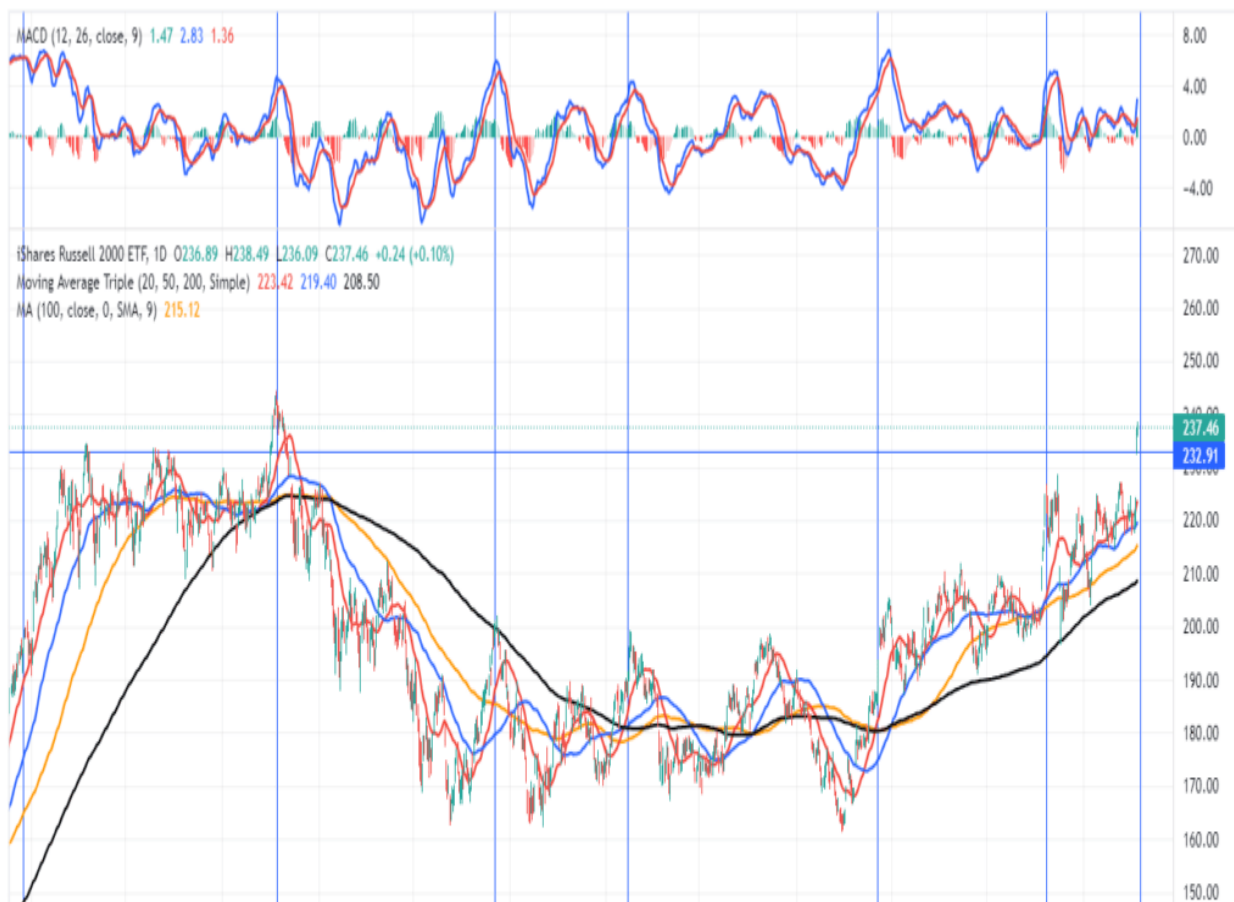
NFIB Confidence Vs. Small-Cap Stocks



Given that pro-business policies should benefit small and mid-cap stocks, we began building a position in those stocks using the Russell 2000 Index ETF (IWM). The chart below shows that yesterday's breakout above the previous consolidation. However, the index is very overbought and extended, which has previously preceded short-term corrections. Accordingly, we started with a small position in portfolios and are looking for pullbacks and consolidations to add to the position over the next several months.



TradingView



Of course, there is always risk that we need to be mindful of. But if Trump is able to pass ?business friendly? policies, we should see that continue to benefit the small and mid-cap space.



Small Cap Stocks Hit Record Highs- Can It Continue Higher?

The Russell 2000 small-cap stock index hit a record high yesterday after rising 5%. Accordingly, the index is now up 18% year to date and making up ground against the S&P 500, which is up approximately 25%. In post-election trading on Wednesday, the small-cap index outshone all of the other key market indexes. With the large gap higher, can we expect a continuation?

To help answer that, we lean on a graphic provided by Sentimentrader, shown below. It shows the six times, including yesterday, when the Russell 2000 (IWM) opened 5% higher on the day. The first time was in September 2008. At that time, IWM opened up nearly 10% and gave up those gains and more over the coming days, weeks, and months. The other experiences, which occurred in 2020, were much better, especially over longer periods.

Our takeaway from the table is that Wednesday?s gap open will likely produce gains if the market remains firm. The first two instances in the table were in bear markets. As a result, the gap higher faded as prices continued lower. The remaining instances were in bull markets. Thus, the 5% opening gap initially gave up some of the gains but was on its way higher within a week or two.

IWM after opening gaps > +5%

All returns are from open price on signal date

• Signal dates



Dates of 4 Signals	% Gap	Open to Close	1 Day Later (%)	2 Days Later (%)	3 Days Later (%)	1 Week Later (%)	2 Weeks Later (%)	1 Month Later (%)	3 Months Later (%)
2008-09-19	9.9%	-5.0	-8.8	-10.0	-11.2	-10.3	-20.4	-30.6	-38.5
2020-03-13	5.7%	1.0	-12.4	-8.4	-15.5	-14.3	-4.5	4.2	17.3
2020-03-24	5.5%	3.5	4.8	11.3	7.2	9.0	7.6	14.6	36.7
2020-05-18	5.1%	0.9	-1.1	1.9	2.1	5.6	7.6	8.2	20.5
2020-11-09	8.1%	-4.2	-2.4	-2.4	-3.9	0.4	2.2	7.0	28.6
2024-11-06	5.6%								
Median		0.9	-2.4	-2.4	-3.9	0.4	2.2	7.0	20.5
% Positive		60%	20%	40%	40%	60%	60%	80%	80%
Avg Max Loss		-5.2	-5.2	-5.2	-5.2	-5.2	-5.2	-5.2	-5.2
Avg Max Gain		1.5	1.5	2.7	2.7	6.8	9.0	9.0	30.2
Z-Score		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

© SENTIMENTRADER Numbers are % return after signal; Risk = avg max loss; Reward = avg max gain; Z-Score +/- 2 suggests significance.

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Tweet of the Day



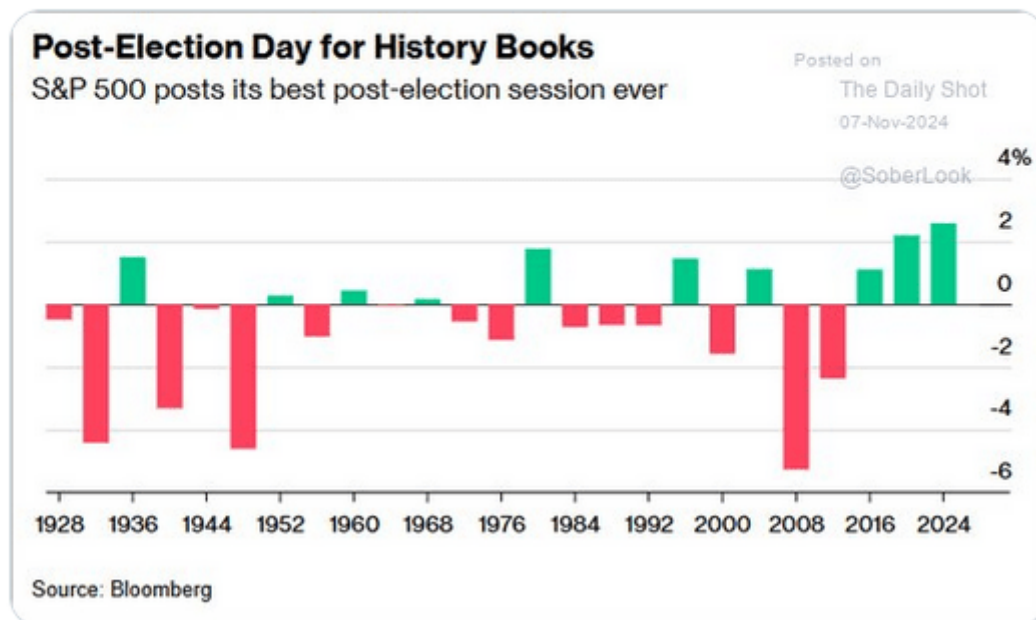
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Yesterday was the BEST post-[#election](#) day performance....EVER.

[#AllAboardTheTrumpTrain](#)

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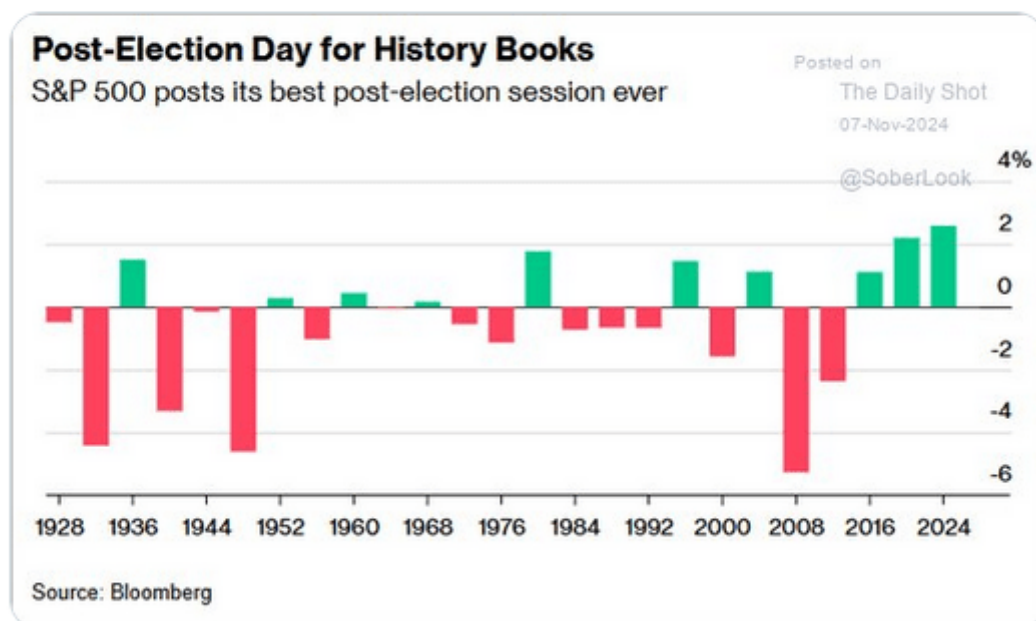
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