



FOMC Cheat Sheet - RIA

At 2 pm ET, the FOMC releases its Fed Funds rate decision, and Powell will hold a press conference afterward. To help guide you through what might be a volatile afternoon trading session, we present ING's FOMC cheat sheet, followed by our thoughts. ING presents four scenarios for how the Fed characterizes inflation, growth, interest rates, and QT. As shown to the right of the scenarios, the FOMC cheat sheet also includes expectations for how the various scenarios could play out in the bond and currency markets.

We think the Fed will land somewhere between the base case and hawkish. Here are our expectations on the policy factors:

- Inflation- The Fed will claim it remains too high but show some optimism it has peaked. However, they may offer caution due to concern for a rebound in inflation.
- Growth- ING's base forecast aligns with our expectations. There are very few indicators the jobs market is weakening.
- Interest rates- A 25bps hike is very likely, and discussion of one or two more at the next two meetings. More importantly, they will stick with their call that Fed Funds stay at their terminal rate for the remainder of 2023.
- Balance Sheet- Like ING, we highly doubt they make any changes.

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The Daily Shot

31-Jan-2023

Scenarios for the Federal Reserve meeting

Scenario analysis: The Federal Reserve's alternatives

@SoberLook

	Inflation outlook	Growth outlook	Interest rates	Quantitative Tightening	24 hour reaction	
Current stance	Fed "highly attentive" to inflation risks" and "strongly committed" to 2%	Require a "sustained period of below-trend growth"	Target rate range at 4.25-4.50%, ongoing interest rate increases "appropriate"	Monthly balance sheet reduction \$60bn of Treasuries, \$35bn MBS	10Y Treas (3.50%)	EUR/USD (1.09)
Dovish	Over tightening could lead to a sharper, deeper fall in inflation	Recessionary forces are building, early signs of cooling jobs market	25bp with future hikes being "data dependent"	Discussion of potential slower reduction in balance sheet	3.35	1.10
ING Base Case	Inflation is too high, but monetary policy works with long & varied lags	Growth is slowing, but the jobs market is strong and the focus is on inflation	25bp hike, ongoing interest rate increases "appropriate"	Unchanged	3.50	1.08
Hawkish	Inflation is proving to be stubborn with risks still weighted to the upside	Need a prolonged period of below trend growth to bring inflation down	50bp hike with ongoing interest rate increases "appropriate"	Unchanged	3.65	1.07
Very hawkish	Inflation is embedded and upside risks justify ongoing rate hikes	Recession required to have a material impact on inflation outlook	50bp Fed signals clear intent to crush inflation	Announcement of swifter balance sheet reduction	3.80	1.05

Source: ING

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Source: ING

What To Watch Today

Economy

- 7:00 a.m. ET: **MBA Mortgage Applications**, week ended Jan. 27 (7.0% prior)
- 8:15 a.m. ET: **ADP Employment Change**, January (170,000 expected, 235,000 prior)
- 9:45 a.m. ET: **S&P Global U.S. Manufacturing PMI**, January Final (46.8 prior)
- 10:00 a.m. ET: **Construction Spending**, month-over-month, December (0.0% expected, 0.2% prior)
- 10:00 a.m. ET: **ISM Manufacturing**, January (48.0 expected, 58.4 prior)
- 10:00 a.m. ET: **JOLTS Job Openings**, December (10.300 million expected, 10.458 million prior)
- 2:00 a.m. ET: **FOMC Rate Decision** (Lower Bound), Feb. 1 (4.50% expected, 4.25% prior)
- 2:00 a.m. ET: **FOMC Rate Decision** (Upper Bound), Feb. 1 (4.75% expected, 4.50% prior)
- 2:00 a.m. ET: **Interest on Reserve Balances Rate**, Feb. 2 (4.68% expected, 4.40% prior)
- **WARDS Total Vehicle Sales**, November (15.50 million expected, 13.31 prior)

Earnings

Company		Time	Estimate		Growth	Surprise		
					▼ Show only confirmed?			
✓ MCK	McKesson Corp.	4:10 PM ET	\$6.34	\$70.48 B	2.7%	+	=	-
✓ ABC	AmerisourceBergen ...	6:30 AM ET	\$2.62	\$62.66 B	5.1%	+	=	-
✓ META	Meta Platforms, Inc.	4:05 PM ET	\$2.12	\$31.80 B	-5.6%	+	=	-
✓ HUM	Humana, Inc.	6:30 AM ET	\$1.46	\$22.50 B	6.9%	+	=	-
✓ TMUS	T-Mobile US Inc.	BMO	\$1.10	\$21.01 B	1.1%	+	=	-
HTHIY	Hitachi Limited	DMH	\$2.50	\$76.58 B	269.3%	+	=	-
✓ MET	Metlife Inc.	4:15 PM ET	\$1.74	\$16.95 B	-15.6%	+	=	-
✓ NVS	Novartis International ...	BMO	\$1.42	\$13.14 B	-2.8%	+	=	-
✓ ALL	Allstate Corp.	4:25 PM ET	(\$1.37)	\$11.43 B	-12.2%	+	=	-
✓ GSK	GlaxoSmithKline plc	BMO	\$0.59	\$8.30 B	-35.4%	+	=	-
DNZOY	Denso Corp Ltd Ord	DMH	\$0.51	\$12.30 B	-2.0%	+	=	-
✓ EPD	Enterprise Products ...	6:05 AM ET	\$0.60	\$14.49 B	27.4%	+	=	-
✓ TMO	Thermo Fisher Scient...	6:00 AM ET	\$5.19	\$10.39 B	-2.9%	+	=	-
✓ SMFG	Sumitomo Mitsui Fina...	\$0.25	\$10.38 B	-	- 8.1%	-		
✓ CHRW	C.H. Robinson World...	4:05 PM ET	\$1.35	\$5.70 B	-12.3%	+	=	-
✓ MO	Altria Group Inc	7:00 AM ET	\$1.18	\$5.13 B	-18.0%	+	=	-
✓ NVO	Novo Nordisk AVS	BMO	\$0.81	\$6.67 B	13.2%	+	=	-
✓ AVT	Avnet, Inc.	4:05 PM ET	\$1.83	\$6.54 B	11.5%	+	=	-
✓ JCI	Johnson Controls, Inc.	6:55 AM ET	\$0.66	\$6.25 B	6.6%	+	=	-
✓ AFL	AFLAC, Inc.	4:05 PM ET	\$1.21	\$4.51 B	-17.0%	+	=	-
✓ WRK	WestRock Company	6:30 AM ET	\$0.60	\$5.09 B	2.8%	+	=	-
✓ MUSA	Murphy USA Inc.	4:30 PM ET	\$6.16	\$5.72 B	20.0%	+	=	-
✓ WM	WM	7:05 AM ET	\$1.39	\$4.97 B	6.2%	+	=	-
✓ DXC	DXC Technology Co...	4:15 PM ET	\$0.84	\$3.58 B	-12.4%	+	=	-
✓ OTIS	Otis Worldwide Corpo...	6:15 AM ET	\$0.73	\$3.36 B	-5.9%	+	=	-
✓ CTVA	Corteva, Inc.	5:00 PM ET	\$0.06	\$3.79 B	8.9%	+	=	-
TELNY	Telenor ASA	BMO	-	\$11.29 B	250.0%	+	=	-
KWHIY	Kawasaki Heavy Indu...	DMH	-	\$3.42 B	8.6%	+	=	-
✓ BSX	Boston Scientific Cor...	6:30 AM ET	\$0.47	\$3.24 B	3.6%	+	=	-
ALPMY	Astellas Pharma	DMH	-	\$11.46 B	282.2%	+	=	-
✓ UGI	UGI Corporation	4:30 PM ET	\$1.06	-	-	+	=	-
✓ GIB	CGI Group Inc. Subor...	6:30 AM ET	\$1.19	\$2.46 B	0.3%	+	=	-
✓ LSTR	Landstar System, Inc.	4:15 PM ET	\$2.62	\$1.77 B	-9.0%	+	=	-
✓ AFG	American Financial G...	5:00 PM ET	\$2.95	\$1.55 B	-11.8%	+	=	-
✓ MTH	Meritage Homes Cor...	4:30 PM ET	\$7.03	\$1.81 B	20.3%	+	=	-
✓ HOLX	Hologic, Inc.	4:00 PM ET	\$1.00	\$980.98 M	-33.3%	+	=	-
✓ SWDBY	Swedbank Ab Sp ADR	\$0.56	\$2.11 B	\$0.54	- 43.7%	3.7%		
✓ ODFL	Old Dominion Freight...	7:00 AM ET	\$2.68	\$1.50 B	6.4%	+	=	-
✓ THG	Hanover Insurance G...	4:05 PM ET	(\$1.05)	\$1.30 B	-5.7%	+	=	-
✓ FTV	Fortive Corporation	7:30 AM ET	\$0.84	\$1.50 B	9.1%	+	=	-
✓ GL	Globe Life Inc.	4:10 PM ET	\$2.18	\$1.33 B	2.5%	+	=	-
✓ RRX	Regal Rexnord Corpo...	7:20 PM ET	\$2.30	\$1.26 B	3.6%	+	=	-
✓ CCS	Century Communities...	4:05 PM ET	\$2.39	\$1.01 B	-16.3%	+	=	-
✓ PTON	Peloton Interactive	7:00 AM ET	(\$0.67)	\$709.60 M	-37.4%	+	=	-
✓ EVR	Evercore	6:45 AM ET	\$2.65	\$678.05 M	-39.2%	+	=	-
✓ QRVO	Qorvo, Inc.	4:00 PM ET	\$0.63	\$727.20 M	-34.7%	+	=	-
✓ MHO	MVI Homes	8:30 AM ET	\$4.16	\$1.03 B	-2.1%	+	=	-
✓ ALGN	Align Technology, Inc.	4:00 PM ET	\$1.55	\$893.80 M	-13.3%	+	=	-
✓ EAT	Brinker International, ...	7:45 AM ET	\$0.51	\$987.59 M	6.7%	+	=	-

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Market Trading Update

Time for a dollar reversal? Since the beginning of the year, commodities like gold and emerging markets have been strongly outperforming due to the drop in the U.S. dollar. However, now that the dollar decline has gotten very extended, it is due for a fairly strong reversal arguing for profit-taking in the winning trades of January.



TradingView

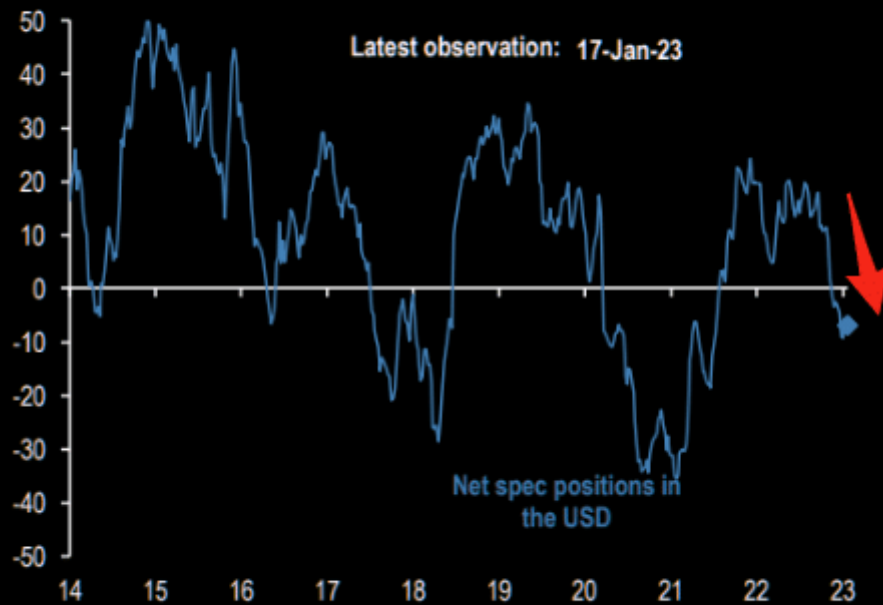


Two more key points that argue for a near-term reversal in the dollar. First, the 12-week rate of change is extreme, and history suggests a rebound will follow.



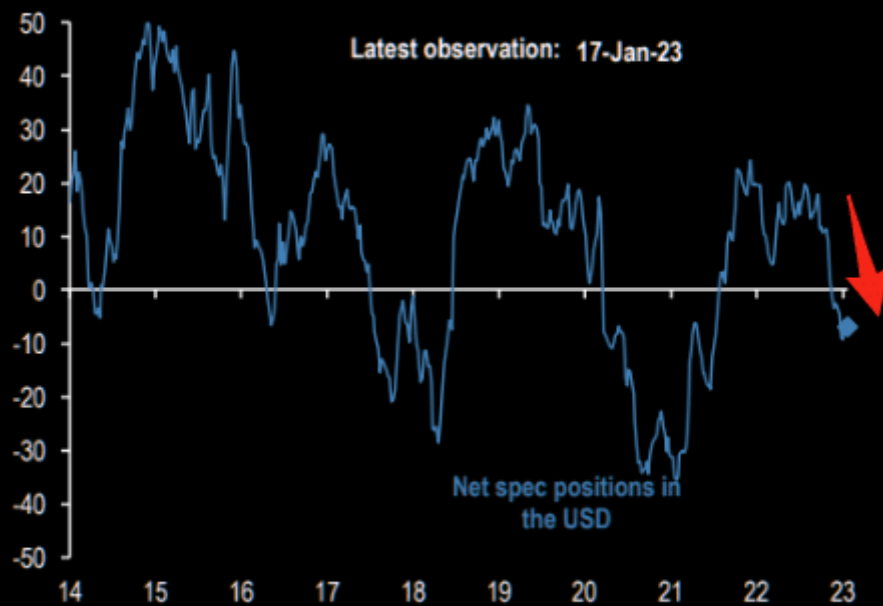
Furthermore, just as with the stock market, when everyone is on the same side of the trade, such provides the fuel for a significant reversal. Currently, there is a decent short position against the dollar.

The net spec position in the USD as reported by the CFTC. Spec is the non-commercial category from the CFTC.



Source: CFTC, Barclay, Datastream, Bloomberg Finance L.P., J.P. Morgan.

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Why is this important? Because the dollar decline has fueled the asset chase since December from gold to commodities, to emerging markets, and risk assets in general. As shown, the Morgan Stanley *Global Risk Demand Index* (STGRDI) has risen sharply and is nearing +3 standard deviation and is significantly higher than the reading on the 12th of August (4 days before the markets peaked).



If the dollar does reverse, we would also expect to see dollar-denominated trades reverse.

Don't forget to take profits.?

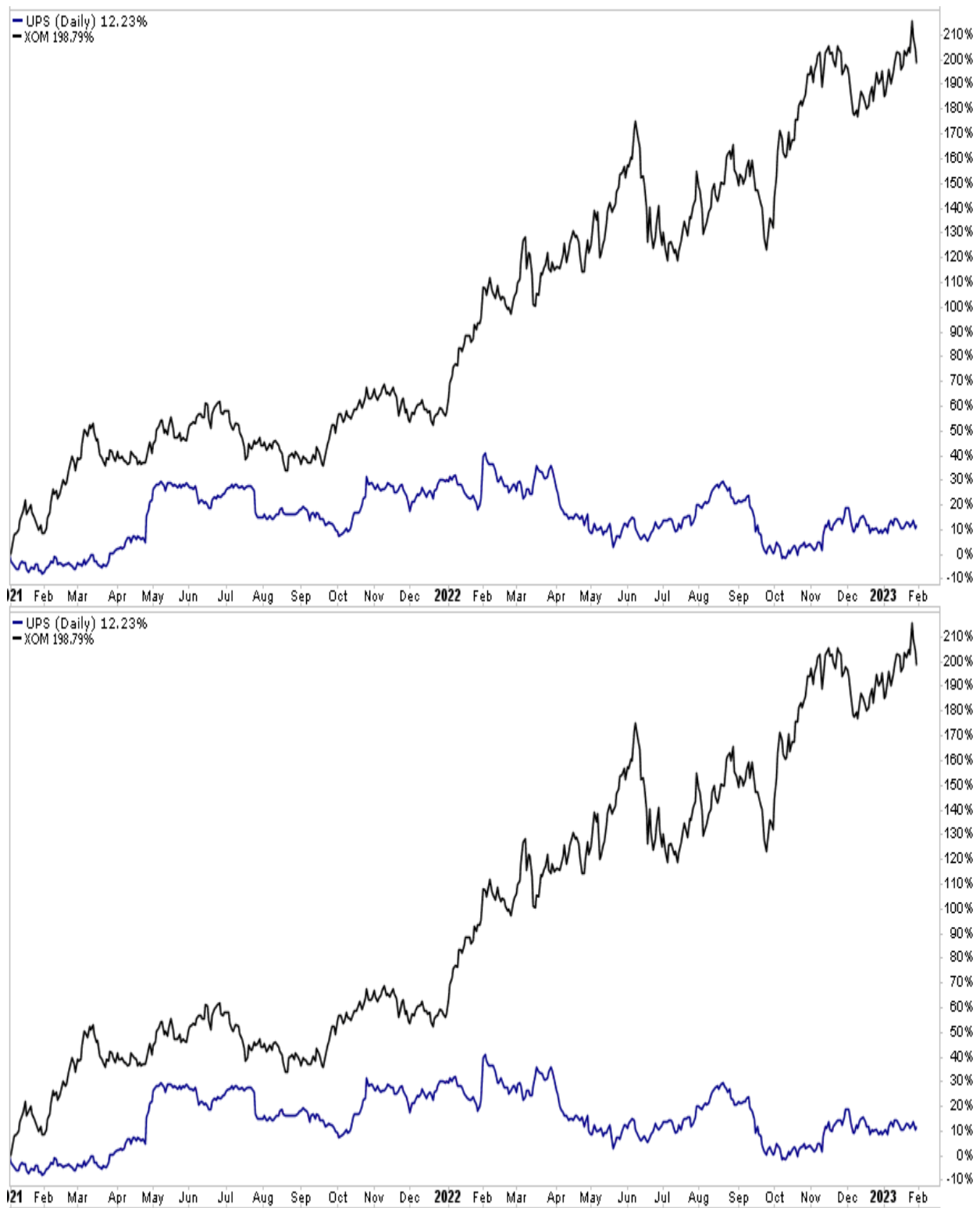
UPS Struggles While Exxon Prints Money

UPS and Exxon are both solid barometers of the economy. When the economy runs strong, commerce and traffic are on the rise, often boosting profits for companies like UPS and Exxon.

Yesterday, Q4 revenues at UPS came up short of expectations, although its EPS beat slightly on better margins. The company guided 2023 revenue guidance lower as well. Despite the weak revenue and poor outlook, the stock rose. Fueling the gain, the company authorized up to \$5 billion in stock buybacks and raised its dividend.

Exxon, on the other hand, bolstered by high oil prices and strong demand, posted a record annual profit of \$59 billion. The profit far exceeded the prior high from 2008 (\$45.2 billion). Revenues fell short of estimates, but EPS was better than expected. Unlike UPS, XOM did not accelerate share buybacks.

The companies' earnings reports point to the economy's confusing state. While Exxon is recording record profits, revenues are declining at UPS, despite increasing the prices they charge their customers. Some sectors and bits of economic data point to a recession, while others point to robust growth. The graph below shows the stunning divergence between the performance of the companies stock prices.



Treasury Sales are Red Hot

[Bespoke Investmentment Group](#) put out a great piece showing that the U.S. Treasury auctions in January were well-demanded by investors. Per Bespoke, January was a record month for Treasury sales. Every auction and bond reopening occurred at a lower yield than where the bond was trading before the respective auctions. The second graph below shows that the auctions occurred 2.3bps below the then-market yield. Such is much better than any month in at least ten years. Indirect bidders, often foreign investors, bought approximately 75% of January's issuance. The graphs and commentary below are all courtesy of Bespoke.

- With January winding down, issuance out of the Treasury is in the rearview for the month, and looking back, it was arguably the best month for Treasury sales in our records when it comes to investor demand.

- ([Read our Bespoke Brief](#) on Treasury auctions as a primer if you need it.)

- For starters, every Treasury auction/reopening stopped through this month.

- In our data going back a decade, the only other time that occurred was July 2013.

- Where things differ greatly from July 2013 is by how much the auctions stopped through.

- Back then, the average stop through in the month was only 0.66 bps with the previous record being 0.99 bps in October 2013.

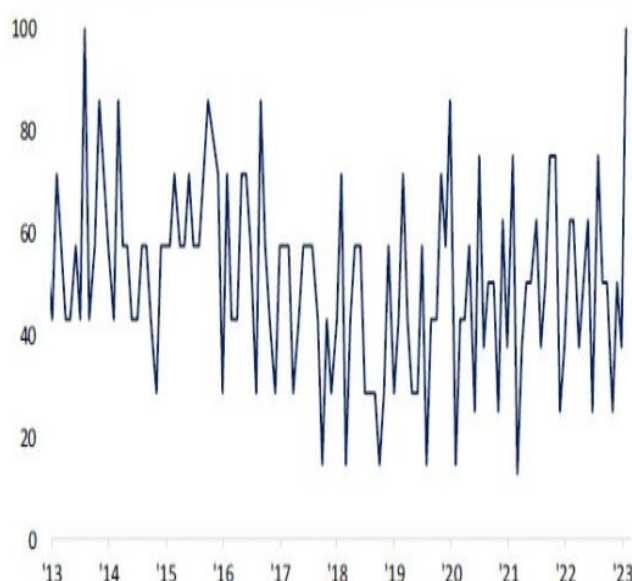
- On average across each of the eight coupons in January, the average stop through was a massive 2.21 bps.

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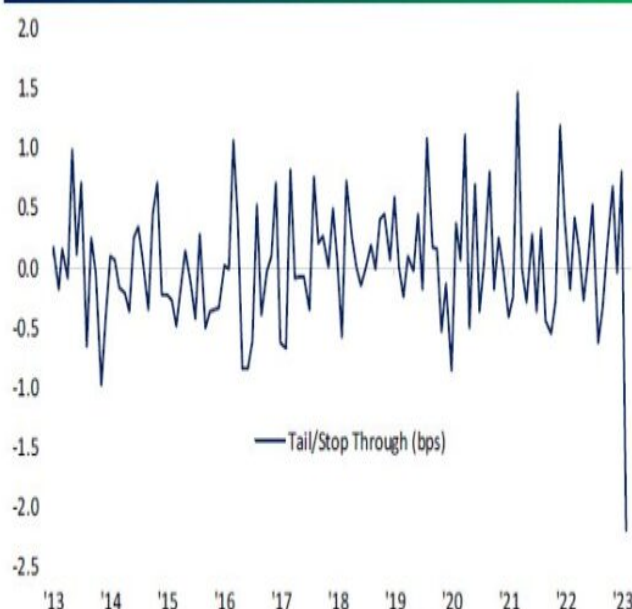
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Percentage of Auctions to Stop Through By Month

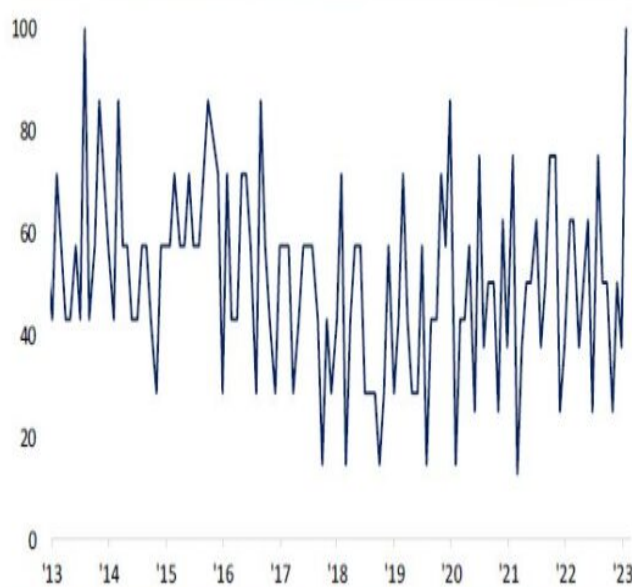


Average Tail/Stop Through By Month Across All Coupon Auctions

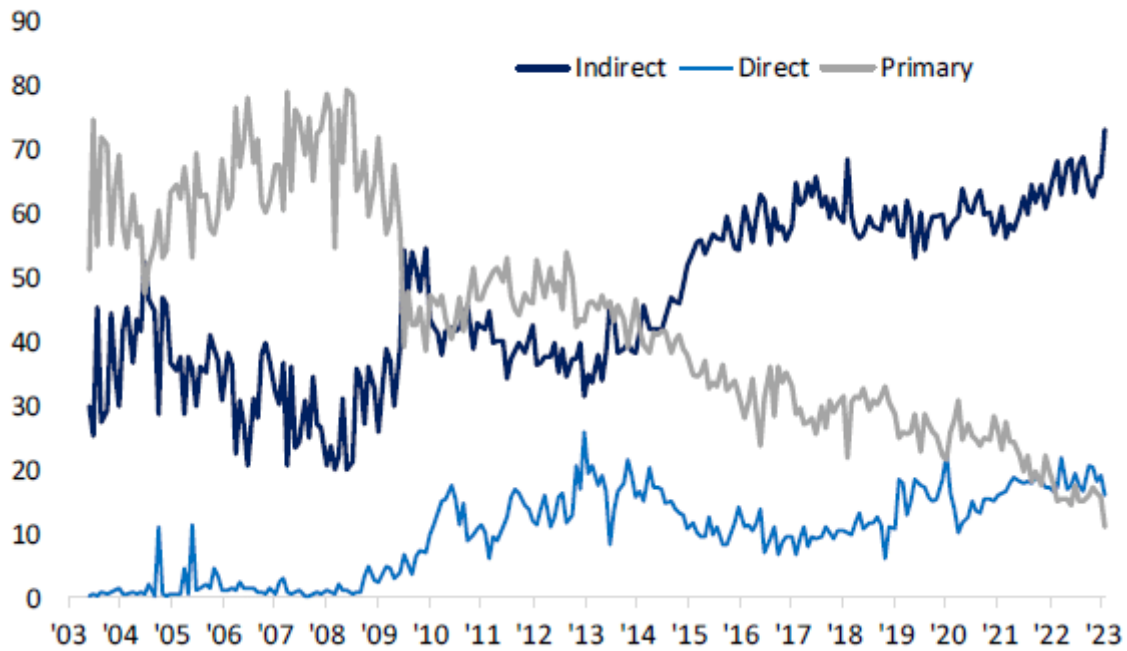


Tail/Stop Through (Z Score)

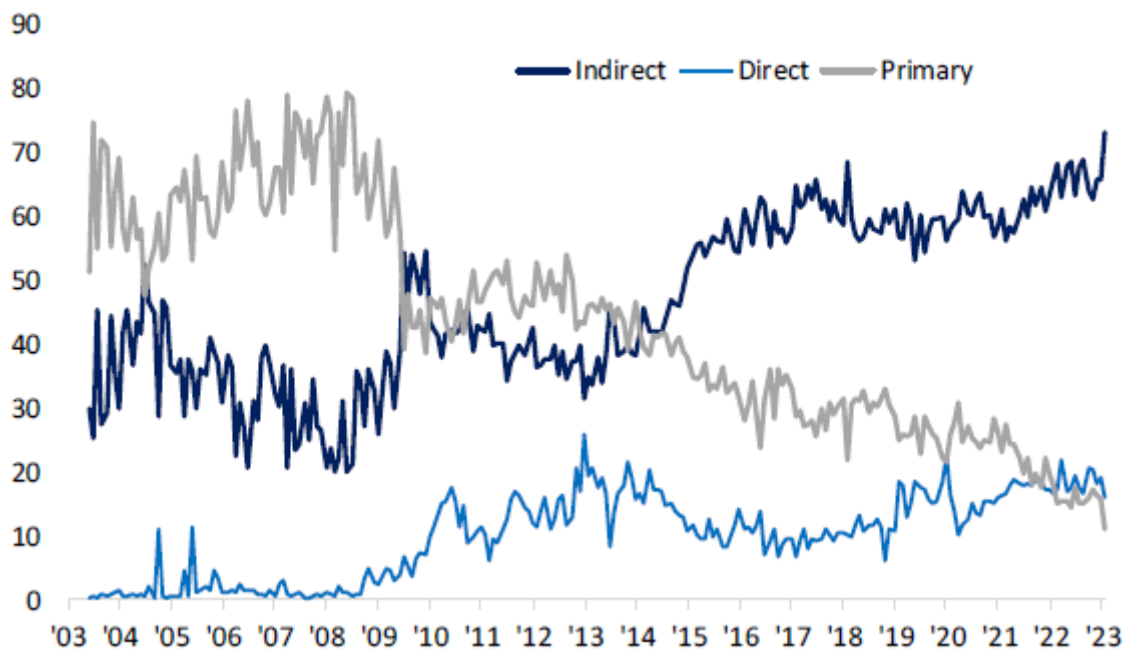
Percentage of Auctions to Stop Through By Month



Monthly Average Bidder Takedowns Across All Coupon Auctions



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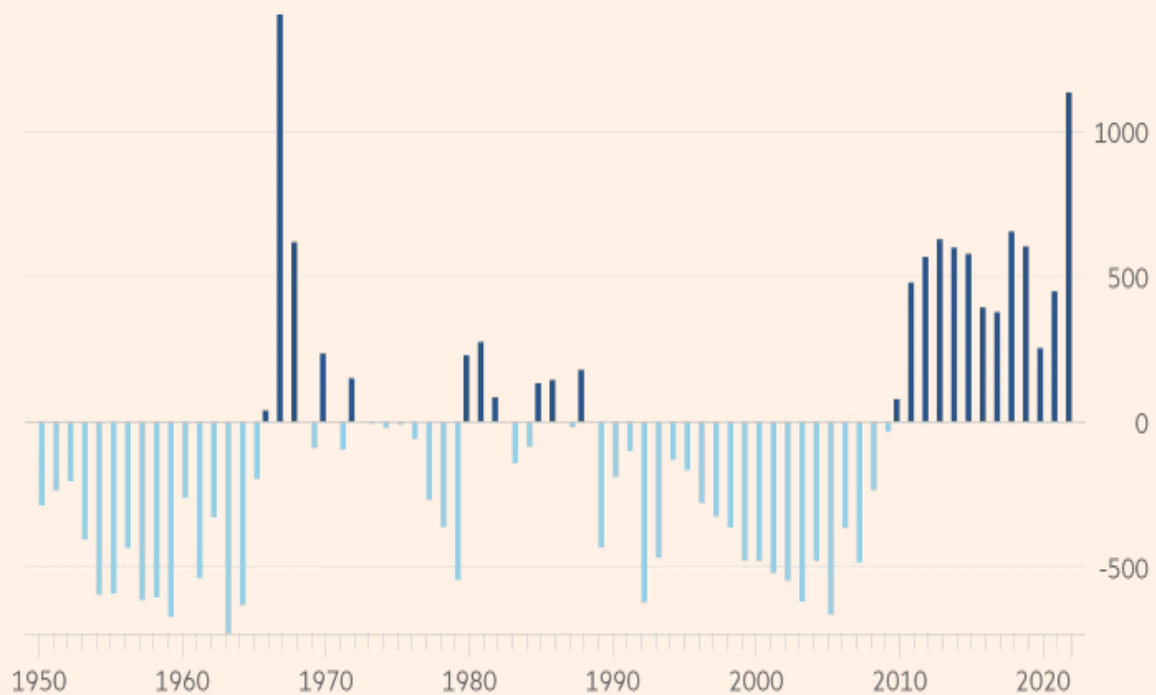
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Foreigners are Buying Gold

The [FT](#) notes that the central bank purchases of gold in 2022 rose to a level last seen in 1967. Why? The FT quotes an analyst that claims that a *lack of counterparty risk* as compared to currencies *under the control of foreign governments* was a key reason. In other words, after the U.S. froze Russia's dollar reserves, other central banks wanted to move some of their assets somewhere they would be out of reach from other governments.

Central bank gold purchases hit highest since 1967

Tonnes

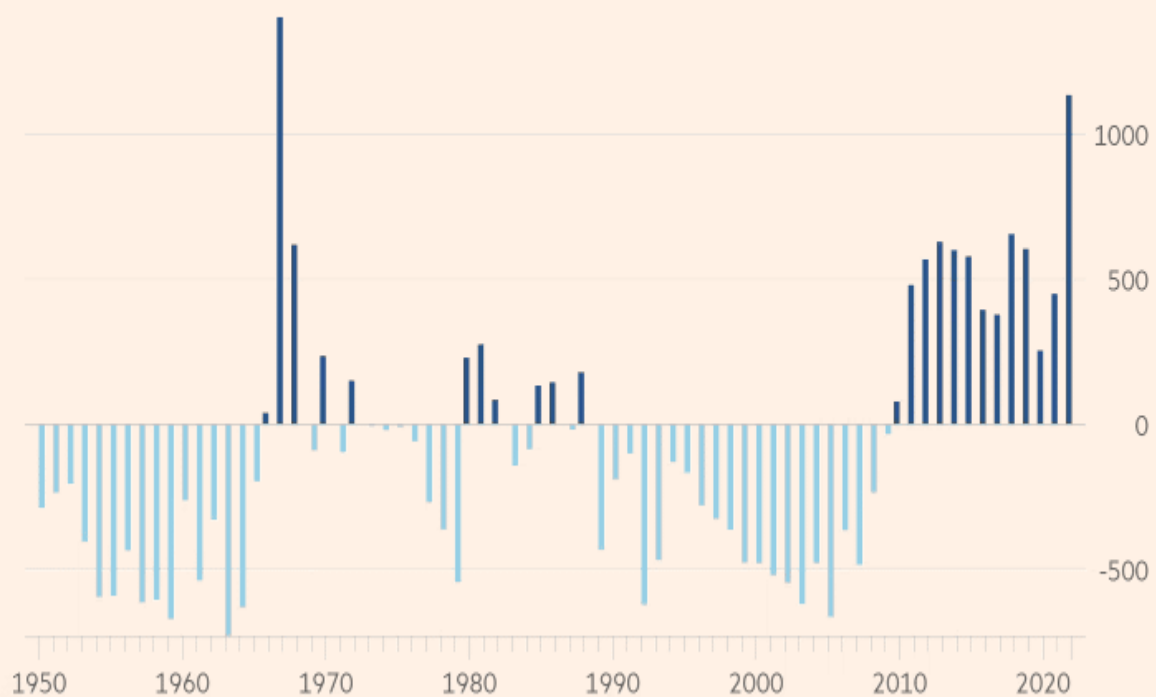


Source: Metals Focus, Refinitiv GFMS, World Gold Council

© FT

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Tonnes



Source: Metals Focus, Refinitiv GFMS, World Gold Council

© FT

Tweet of the Day



Liz Ann Sonders  @LizAnnSonders · 16m

...

 Official

Inflation no longer chief issue for Americans; it's the government/poor leadership ... former dropped to second place (15%) and latter jumped to first at 21% per latest @Gallup poll

Most Important U.S. Problem

What do you think is the most important problem facing this country today?

	Nov-Dec 2022	Jan 2023
	%	%
The government/Poor leadership	15	21
Inflation	16	15
Immigration	8	11
Economy in general	16	10
Unifying the country	6	6
Race relations/Racism	3	5
Poverty/Hunger/Homelessness	4	5
Crime/Violence	5	4
Ethical/Moral/Family decline	3	4

Issues mentioned by less than 4% of U.S. adults in January are not shown.

GALLUP



Liz Ann Sonders  @LizAnnSonders · 16m

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Please [subscribe to the daily commentary](#) to receive these updates every morning before the opening bell.

If you found this blog useful, please send it to someone else, share it on social media, or contact us to set up a meeting.