



At Passage Wealth, it is important that you are well informed about what is happening in the markets. Here are a few of the key topics of conversation that deserve the most attention this month. If you have any questions or would like to continue the conversation, please reach out.

Recent positive economic developments include third quarter GDP rising at a 2.6% annualized rate¹. Also, inflation is showing some signs of slowing, with the yearly change in the Consumer Price index falling from 8.2% to 7.7%². The GDP report essentially puts to bed the discussion of currently being in a recession, though risks remain for next year as the impact of the Fed's actions can take a while to ripple through the economy.

Within October's inflation report, goods prices fell by 0.4% over the month, while services prices continued to rise². The silver lining regarding services is that prices rose at a slower rate, increasing 0.5% in October versus a 0.8% rise in September². While the decline in the yearly pace of inflation is likely welcome at the Fed, 7.7% is still far away from their 2% target. It is likely that the Fed will need to take more actions to combat inflation, though perhaps at a less aggressive pace.

Speaking of the Fed, on November 2nd they increased rates by another 75 basis points, the fourth 75 basis point hike in a row. In the Fed's statement, they acknowledged how policy changes can take time to impact the economy and noted that they "will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation."³ The Fed may be looking to be less aggressive in the coming months, though Fed chair Powell noted the committee now sees that rates may end up higher than they did in September.

Headlines of layoffs at major companies continue to bubble up in the media, though economy-wide jobs are still growing in the US, with 261K new jobs added in October⁴. However, the jobs report showed the unemployment rate also increased to 3.7%, from 3.5%. While the report contained some mixed signals, the labor market remains tight heading into the end of the year.

The bottom line: Recent economic developments may give the Fed a bit more breathing room, but inflation still has a long way to go before the Fed may feel comfortable with it. The market has seen considerable downside volatility throughout the year regarding expectations of more aggressive Fed policy amid stubborn inflation data. Nonetheless, the opposite happened immediately following October's inflation report, when the S&P 500 surged 5.54% on the day of the release. The market is likely to continue to be in a reactionary mood until a sustained trend in inflation can be seen.

Sources:

1. Bureau of Economic Analysis, https://www.bea.gov/sites/default/files/2022-10/gdp3q22_adv.pdf
2. Bureau of Labor Statistics, <https://www.bls.gov/news.release/cpi.nr0.htm>
3. Federal Reserve, <https://www.federalreserve.gov/newsevents/pressreleases/monetary20221102a.htm>
4. Bureau of Labor Statistics, <https://www.bls.gov/news.release/empsit.nr0.htm>

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The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The S&P 500® Index, or the Standard & Poor's 500® Index, is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies.

