DC TODAY | PODCAST TRANSCRIPTION

THURSDAY, DECEMBER 1, 2022

All right, well, hello. Welcome to the very first DC Today of the month of December. It's Thursday, we are now through December the first, and a few things to update you regarding the market and a few kind news events and economic data points I want to go through today. Let get the market data points out of the way.

When you had a kind of rally like you saw yesterday, that really wasn't rooted in a ton of fundamental logic, it's always interesting what will happen on the second day. And to abound 750 points yesterday and really it was 950 because you had been down 200 and then only get back 195 today, that's a reasonably strong sign, technically. The S&P was only down nine basis points today, and the NASDAQ was actually up 13 basis points. So you basically more or less had a kind of flat S&P and Nasdaq and you had a really not that much down Dow after this massive move higher. But the biggest thing to kind of give you an indication of the confirmation in financial markets, which is broader than just the stock market, but across financial markets, is in the bond market.

The 10 Year Treasury Yield today closed at 3.5%, 3.5 down at 19 basis points today, I believe it was down 14 BIPS yesterday. It is down 72 basis points from the high that we had seen in many, many years of 4.22%. And that was just five weeks ago. So in five weeks you gone from four point, let's call it four and a quarter to three and a half. So that's a huge rally in bonds in the

last five weeks. And again, by rally I mean the prices of bonds going higher as the yields have gone lower.

On the equity side today, the top performing sectors weren't up a ton. Communication Services was up 29 basis points and Healthcare was up a quarter of a percent. The worst performing was Financials and it was down 0.71%. Oil was up almost 1% up to $81.28 cents a barrel.

Okay, so by the way, that point on Financials the new Vice Chair of the Fed, who is the head of supervision, Michael Barr, came out. I thought it was an utterly bizarre communication that they're in the midst of a study on capital requirements for banks. And he came out and said, and I quote, "We haven't finished our study yet, but things seem lower than they 'ought to be," and I don't know what that means, "seem lower than they ought to be." It suggested that some banks are, that they intend to increase capital requirements. And so you saw some of the bank institutions drop today on this kind of vague, ambiguous sort of a 'threat' a little bit from the Fed.

In terms of the economic data, I was referring to the PCE measurement, and by the way, this caused the Dow Futures to rally earlier this morning. It didn't end up holding, but the Fed's favorite inflation measurement, which is the Personal Consumption Expenditures, came in up just 0.2% for the month. It had been up 0.5% last month. So you see that continued disinflation of the rate of growth dropping month over month. And again, that's even baked in with the realization that the

markets know what the data can't yet reveal, which is something I talked about over and over again, that actually that number is already deflating because the fact matter is the way that housing markets are reported is not accurate. I'll have some more charts and info in Mondays DC Today.

Initial jobless claims came in at 225,000 for the week. That was lower than had been expected. And then ISM Manufacturing came in at a small decline. Again, anytime is below 50, that represents contraction in the manufacturing sector. And I think over 50 represents expansion. And even though 49 isn't much contraction, 12 of the 18 sectors were in negative territory. So some slowdown you're seeing there on manufacturing. Equities are at a three month high, coming into today, the dollar was at a three month low. So this is a theme that I've talked about for a long time. You should get the idea. It's important to realize, I think about the market rally that you're not seeing risk takers just try to price in when the Fed pauses or when the Fed cuts or when the Fed slows down. That's a factor. But then there's also some degree of anticipation around the soft branding thesis. Does one believe that Fed is about to taper and will end up getting out of this without that, they will get out of the tightening that they've done without having rocked the economy? And so the market to really be bullish just to bet on two different things. One of two could be bullish, two of two could be very bullish, zero of two could be bearish. And so that's where we stand.

I'm going to talk more about it on Monday probably, but oh, late in the day, in the trading day maybe it was midday, I did get the popup that Austin Goolsbee has been named the new president of the Chicago Board of Federal Reserve. Austin, I've known for some time, he and I have been on TV and radio together maybe as much as 10 times. I know it's over half a dozen. He and I, obviously he was the head of the Council of Economic Advisors under President Obama, I think highly of Austin as a person. He's articulate, thoughtful guy, disagree with him on a lot of things, but he'll be joining the Fed Board of Governor's subject to approval, of course. The Senate, I guess is now voted to approve averting the strike on railroad, I think from what I saw was 85-15 something around there. So kind of expected it should be going to President Biden's desk now shortly. So we will not end up with the Fed, well, excuse me, with a railroad strike. But there's been some interesting kind of politicking around it all this week.

So tomorrow you'll get the jobs number, you'll get a Dividend Cafe on the Fed. I was really hoping to have it written today and record it going into the Friday, but I'm more than likely going to have to record it on Friday morning, which is what I normally do anyways. But I do have a flight to San Francisco tomorrow, and so I'm going to have to record before I go. But there's just a few more things I want to kind of tweak with it. But I like the way the piece is coming together and I hope you'll read Dividend Cafe tomorrow on the Fed. That's all I have for you today. Reach out any time, any questions we're here to answer

every single day in the written, thedctoday.com. I'm answering a question, a real question that has come in from a real person and we don't cover those on the podcast video, but if you have a question that you would like to send it to, questions@thebahnsengroup.com. Thank you so much. We'll leave you there. Have a wonderful Thursday night.
