

WEEKLY MARKET UPDATE

Week of March 22, 2023



By the Numbers

<u>Index</u>	<u>DOW</u>	<u>S&P 500</u>	<u>NASDAQ</u>	<u>10YR Yield</u>
Yesterday's Close	32,560	4,002	11,860	3.57%
Market Change since Last Meeting	+1.3%	+2.1%	+3.8%	-1.6%
Market Change Year-To-Date	-2%	+4%	+13%	+1.6%

Banks and The Federal Reserve

The Federal Open Market Committee will announce its monetary-policy decision today. Traders are pricing in an 85% chance that the Fed will raise rates by a quarter of a percentage point to 4.75%-5.00%. Just two weeks ago the discussion on Wall Street was whether the Fed would raise rates by a quarter or a half point at today's meeting, but after recent bank failures the discussion turned to "should they raise rates or take a pause."

In an effort to avoid more bank failures, the Fed created the Bank Term Funding Program (BTFP). This program will allow banks to borrow against their underwater Treasuries without having to sell them at discounted prices if a bank finds itself in need of liquidity. This program, however, does nothing for the stock/bond holders or employees of a bank in a liquidity crunch.

The recent shakeup in the banking industry is disinflationary. Going forward, banks are going to be more conservative, which will result in less lending and retaining more capital. This means banks will do the work of the Fed and their part in slowing the economy.

Trying to measure inflation is resulting in a mixed message. On the one hand, the consumer price index for February is up 0.5% over the previous month, and job creation continues to outpace expectations. On the other hand, crude oil has fallen \$17, from over \$80 per barrel two weeks ago to about \$67 per barrel. Hopefully, today's message from the Fed will add some clarity to the fight against inflation.

LOOKING FORWARD

March 22	Fed Announcement/Possible Rate Hike
March 23	Initial Jobless Claims/New Home Sales for February
March 24	Durable Goods Orders for February

Not FDIC Insured | No Bank Guarantee | May Lose Value

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