

The 5th Stage of Rate Hike Grief

The 5th Stage of Rate Hike Grief

The Kubler Ross stages of grief often seem to apply as much to markets as to people.

Denial: No way will the Fed hike that much! No way will they jeopardize the economy or even stocks. The Fed put is alive and well!

Anger: This is insane! What is Powell thinking! Jackson Hole is where you present policy not take potshots at the market!

Bargaining: If they just pivot, we can rally on this!

Depression: This is terrible! The Fed is holding us back.

Acceptance: Ok, inflation didn't improve as much as we thought and it is ticking back higher, but so what? The Fed is near the end no matter what. The Fed is data dependent here. If the data stays as is, we can absorb a few hikes easily.

Thursday's trading felt like "acceptance"

- GDP and Consumption were revised down.
- Inflation was revised significantly higher.
- Jobless claims were very low.

Treasuries responded by yields going higher, but stocks held their own.

After a weak (by most measures) 7-year Treasury auction, Treasuries rebounded too.

The day wasn't without its scary moments as the S&P broke below 3,980 (the 50 day moving average), but it regained that level shortly thereafter. Yes, there were a lot of 1% intraday swings, but we bounced. We can thank ODTE for accentuating those swings (and maybe even signaling direction) as the ODTE day started with puts and calls roughly mixed and then saw calls take a definitive lead around lunch time.

We are down after a higher than expected set of PCE inflation readings, but if we really are following the stages of Rate Hike Grief, markets should respond well to the number over the course of the day.

Lots of other things will drive markets as we end earnings season (and the Fed seems largely priced in).

Questions about the state of the economy will take precedence (there are threads out there supporting the weak economy theory, even though they've lost ground of late).

China asking Russia to pursue peace (on one hand), while allegedly gearing up to sell Russia military equipment (on the other hand), could swing markets.

I'm bullish on bonds and stocks here (more bullish on bonds than stocks, but comfortable owning both). I will be keeping a closer eye on technicals, as that and ODTE (along with some possible month-end rebalancing out of stocks and into bonds) seem to be the current "tail" risk.

The 5th Stage of Rate Hike Grief

Disclaimer

This document and its contents are confidential to the person(s) to whom it is delivered and should not be copied or distributed, in whole or in part, or its contents disclosed by such person(s) to any other person. Any party receiving and/or reviewing this material, in consideration therefore, agrees not to circumvent the business proposals explicitly or implicitly contained herein in any manner, directly or indirectly. Further, any recipient hereof agrees to maintain all information received in the strictest confidence and shall not disclose to any third parties any information material to the opportunity contained herein and, upon review hereof, agrees that any unauthorized disclosure by any party will result in irreparable damage for which monetary damages would be difficult or impossible to accurately determine. Recipients recognize, and hereby agree, that the proprietary information disclosed herein represents confidential and valuable proprietary information and, therefore, will not, without express prior written consent, disclose such information to any person, company, entity or other third party, unless so doing would contravene governing law or regulations.

This document is an outline of matters for discussion only. This document does not constitute and should not be interpreted as advice, including legal, tax or accounting advice. This presentation includes statements that represent opinions, estimates and forecasts, which may not be realized. We believe the information provided herein is reliable, as of the date hereof, but do not warrant accuracy or completeness. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources.

Nothing in this document contains a commitment from Academy to underwrite, subscribe or agent any securities or transaction; to invest in any way in any transaction or to advise related thereto or as described herein. Nothing herein imposes any obligation on Academy.

Academy is a member of FINRA, SIPC and MSRB. Academy is a Certified Disabled Veteran Business Enterprise and Minority Business Enterprise and is a Service Disabled Veteran Owned Small Business as per the US SBA. Investment Banking transactions may be executed through affiliates or other broker dealers, either under industry standard agreements or by the registration of certain principals.