

November 7, 2022 – Economic Commentary

With the latest -- and much-foreshadowed -- 75bps hike in the Fed Funds rate announced last week, interest rates have conclusively entered the realm of "constrictive", i.e. serving to reduce economic growth by depressing final demand. Home purchases have certainly decelerated, which in turn reduces demand for goods ranging from textiles to appliances. Highly leveraged companies in all sectors are scaling back investment spending and expenditures for business services. Yet job growth and consumer spending remain relatively robust and the current consensus outlook for fourth quarter US growth is somewhere between 0.5% and 3%. Suffice to say, this is not what the Federal Reserve expected and may legitimately call into question the tools being used to fight inflation. This week's inflation numbers will play an outsized role in determining the ultimate peak in short term interest rates, which is now increasingly thought to be 5%+.

Data to Watch:

1. National Federation of Independent Business Confidence Index for October, released Tuesday, November 8
2. US Consumer Price for October, released Thursday, November 10.
3. Michigan Preliminary Consumer Sentiment Survey for November, released Friday, November 11.

Suggested Reading:

[When Does Collaboration become Collusion?](#)

[Top Office Developers Hit the Pause Button on New Projects](#)

[Bank of England will Raise Interest Rates Again, Says Chief Economist](#)

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