

NOVEMBER 28, 2022

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Much to consider

Several key economic reports surprised to the upside last week. From September to October, durable goods orders rose 1% and new home sales increased 7.5%. Consumer sentiment improved, a good sign for Black Friday and holiday sales. Weekly jobless claims rose a tick from 223,000 to 240,000, but remain low. The question is, how will the Federal Reserve respond to this good news?

Policymakers might take these developments in stride, as they will get a raft of data this week ahead of the Federal Open Market Committee meeting Dec. 13-14. If the November Personal Consumption Expenditures Index (the Fed's preferred measure of inflation despite media outlets insistence on prioritizing the Consumer Price Index) shows any softening, expect the fed funds futures markets to come to a consensus on a 50 basis-point hike. The November CPI report will, of course, still make a difference, but it arrives Dec. 14, in the midst of the FOMC gathering. The revision to third quarter gross domestic product likely won't move the Fed, but could affect the forecasts of the Summary of Economic Projections. It's a similar story for the November nonfarm payroll report, which caps the week.

Lots for officials to process and contemplate.

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