

November 28, 2018

Good Afternoon,

The Federal Reserve, and in particular Chairman Jay Powell, have been under intense scrutiny of late. Many are blaming the Fed for the recent market selloff – especially President Trump. Chairman Powell was interviewed in early October and was questioned about the ongoing interest rate hikes by the Fed. At that time, he stated that interest rates were “far from neutral”, indicating an aggressive pace of rate hikes going forward. Markets showed clear signs of concern as evidenced by the 10% drop in stock prices since that interview. (Of course, mid-term elections, trade tariffs and corporate earnings added to the volatility.)

Today, Chairman Powell indicated that interest rates are “just below neutral.” We still anticipate the Fed will raise rates ¼ point at its December meeting, but the projected pace of future rate increases has dropped significantly. Today’s mid-day stock market action is a clear sign of investor relief with the apparent change in Fed assessment. While this may provide fuel for a nice rally off the recent lows, it may also indicate the Fed sees a slowing economy – which could eventually be bad for stocks. A bit of a Catch 22. But, the Fed now has some room to lower rates in the event we are facing recession down the road.

Regarding the recent market correction, it was the worst we’ve experienced since..... February. The past several years have seen muted volatility in stocks and we tend to forget markets can be very choppy. Historically we see 10% market corrections each year. We may be simply returning back to normal market conditions, as frustrating as that can seem. Thanks for your patience as we work through this downturn.

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[http://www.commonwealth.com/RepSiteContent/weekly\\_comm/commentary\\_redirect.htm](http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm)

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Have a great week,

Wade

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