



VICTORY PARTNERS

MIDDLE MARKET INSIGHT

What Business Owners Need To Know

FED LIFTED ITS BENCHMARK OVERNIGHT INTEREST RATE BY 225 POINTS THIS YEAR TO A TARGET RANGE OF 2.25%–2.50%

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DATA SINCE THE FED'S JULY POLICY MEETING SHOWED ANNUAL CONSUMER INFLATION EASED THAT MONTH FROM 9.1%–8.5%

CEO OF BANK OF AMERICA

SAID THE RECENT DEBATE OVER WHETHER THE U.S. ECONOMY IS MISSING THE POINT

RENT ACCOUNTS FOR 1/3 OF THE GOVERNMENT'S CONSUMER PRICE INDEX, WHICH SHOWED A YoY INCREASE OF 8.5% IN JULY

FEDERAL RESERVE

RAISED INTEREST RATES BY 75 BASIS POINTS AT ITS LAST POLICY MEETING

FED OFFICIALS EMPHASIZE A SLOWDOWN IN DEMAND TO "PLAY AN IMPORTANT ROLE" IN REDUCING INFLATION

Fed Saw "Little Evidence" That U.S. Inflation is Easing

- According to the minutes of the Federal Reserve's July 26th–27th policy meeting, officials saw "little evidence" late last month that U.S. inflation pressures were easing and braced themselves to compel the economy to slow down as much as was required to curb the increase in prices.
- The minutes from the Sept. 20th–21st meeting showed policymakers committed to raising rates as high as necessary to bring inflation under control and acknowledging that they would need to engineer lower spending and overall growth for that to happen. However, they did not specifically allude to a particular pace of an upcoming rate increases.
- In a glimpse of the emerging debate at the central bank, "many" participants also noted a risk that the Fed "could tighten the stance of policy by more than necessary to restore price stability," a fact that they said made sensitivity to incoming data all the more important.

BofA CEO: Struggling Americans Feel They are in a Recession

- "Recession is a word. Whether we are in a recession or not is really not the important thing. It's what it feels like for the people going through this," Moynihan told The Associated Press during an interview at the Bank of America Tower near Bryant Park, where he talked about inflation and the current state of the economy, as well as the health of the U.S. consumer.
- In preparation for the 2022 midterm elections, the debate over whether the U.S. economy is in a recession has become politicized. While U.S. consumer confidence is declining and inflation is at levels last seen in the early 1980s, other economic indicators, such as the monthly jobs report, are still positive. The Federal Reserve has been rapidly boosting interest rates in reaction to high consumer and wholesale prices in an effort to curb inflation without doing too much economic harm.
- However, Moynihan listed gas prices and rent as two significant problems that have a detrimental impact on typical Americans as reasons to be concerned. Before dropping down below \$4 last week, the national average cost a gallon of gasoline soared to just over \$5 in June. Rent increases, which don't fluctuate as much as gas prices, seemed to bring Moynihan more concern.

Fed Officials Pledge More Big Rate Hikes Until More 'Meaningful' Change

- The stock market has risen recently as a result of increased hope that the Federal Reserve may change its monetary policy, particularly after inflation slowed last month. The S&P 500 has increased by about 17% since the market's low point on June 16 and is on pace to post gains for the next five weeks.
- Investors are skeptical of how quickly and for how long the Fed would raise interest rates, despite Fed members' steadfast stance that they will do so until the escalating inflation is brought under control.
- The Federal Reserve won't be able to scale down its significant rate hikes and tightening monetary policy until it has more convincing evidence of decreasing inflation, beyond just one month's worth of data, according to the vast majority of experts. According to Vital Knowledge founder Adam Crisafulli, who finds that scenario "extremely difficult to picture," one needs to be quite enthusiastic about significant disinflation and the start of a Fed easing cycle by early 2023 "to argue for material near-term upside [in markets]."

Sources: www.reuters.com | www.apnews.com | www.forbes.com