

Fundamentals:

U.S. stocks ended sharply lower on Wednesday, as comments from Fed Chair Jerome Powell shattered initial optimism over a Fed policy statement that raised interest rates by 75 basis points but signaled that smaller rate hikes may be on the horizon.

In a volatile trading session, equities initially moved higher in the wake of the hike by the Fed, the fourth straight increase from the central bank of that magnitude as it attempts to bring down stubbornly high inflation.

The target federal funds rate was set in a range between 3.75% and 4.00%, but the impact of the hike was initially tempered by new language that suggested the central bank was mindful of the effect its outsized rate hikes have had on the economy.

Investors had been widely anticipating a 75-basis point rate hike, while hoping the Fed would signal a willingness to begin downsizing the rate hikes at its December meeting.

However, comments from Fed Chair Jerome Powell that it was "very premature" to be thinking about pausing rate hikes sent stocks sharply lower.

The Dow Jones Industrial Average fell 505.44 points, or 1.55%, to 32,147.76, the S&P 500 lost 96.41 points, or 2.50%, to 3,759.69 and the Nasdaq Composite dropped 366.05 points, or 3.36%, to 10,524.80.

After a strong rally in October that saw the Dow Industrials post their biggest monthly percentage gain since 1976 and the S&P rally about 8%, the three major indexes on Wall Street have not fallen for three straight session. Wednesday's decline was the largest percentage drop for the S&P 500 since October 7.

The S&P 500 had been modestly lower prior to the policy announcement, as the ADP National Employment report showed U.S. private payrolls increased more than expected in October, giving more reason to the Fed to continue an aggressive path of rate hikes.

The private payrolls report came on the heels of data on Tuesday that showed a jump in U.S. monthly job openings, indicating labor demand remained strong.

Investors will get more looks at the labor market in the form of weekly initial jobless claims on Thursday and the October payrolls report on Friday that will help drive expectations for interest rate hikes.

U.S. Treasury yields rose in volatile trading after a brief fall on Wednesday after Federal Reserve Chair Jerome Powell struck a still hawkish tone in his comments, cautioning against prematurely discussing a pause in hiking rates in the face of persistently high inflation.

The Fed earlier raised interest rates by a widely-expected 75 basis points (bps) but signaled smaller rate increases in the future to assess the impact of its policy tightening on the economy. Fed Chair Jerome Powell, speaking at a news conference, said the U.S. central bank could reduce the size of its rate increases at its year-end policy meeting.

In a knee-jerk reaction, yields fell, but turned higher after Powell said the Fed has a long way to go before it will consider pausing rate increases.

U.S. 10-year yields were 4 bps higher on the day at 4.09% after their initial steep decline.

U.S. two-year yields, which reflect rate expectations, were up 6.6 bps at 4.603%.

In lifting benchmark rates to a range of 3.75%-4.00%, the Fed statement said officials remained "highly attentive to inflation risks," noting that the economy appeared to be growing modestly, with still "robust" job gains and low unemployment.

While not disclosing any future decision, officials said, "In determining the pace of future increases in the target range, the (Federal Open Market) Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments."

The U.S. two-year/10-year yield curve deepened its inversion to -53.70 basis points not far from its most inverted level seen in 22 years, which happened a few weeks ago. That curve was last at -49.5 basis points.

An inverted yield curve typically foreshadows recession.

(Source: Reuters)

Economic Releases	Period	Survey	Actual	Prior	Revised
11/02/2022 19:00	MBA Mortgage Applications	Oct-28	--	-0.50%	-1.70%
11/02/2022 20:15	ADP Employment Change	Oct	185k	239k	208k
11/03/2022 02:00	FOMC Rate Decision (Upper Bound)	Nov-02	4.00%	4.00%	3.25%
11/03/2022 02:00	FOMC Rate Decision (Lower Bound)	Nov-02	3.75%	3.75%	3.00%
11/03/2022 02:00	Interest on Reserve Balances Rate	Nov-03	3.90%	3.90%	3.15%
11/03/2022 19:30	Challenger Job Cuts YoY	Oct	--	--	67.60%
11/03/2022 20:30	Trade Balance	Sep	-\$72.2b	--	-\$67.4b
11/03/2022 20:30	Nonfarm Productivity	3Q P	0.50%	--	-4.10%
11/03/2022 20:30	Unit Labor Costs	3Q P	4.00%	--	10.20%
11/03/2022 20:30	Initial Jobless Claims	Oct-29	220k	--	217k
11/03/2022 20:30	Continuing Claims	Oct-29	1450k	--	1438k
11/03/2022 21:45	S&P Global US Services PMI	Oct F	46.6	--	46.6
11/03/2022 21:45	S&P Global US Composite PMI	Oct F	47.3	--	47.3
11/03/2022 22:00	Factory Orders	Sep	0.30%	--	0.00%
11/03/2022 22:00	Factory Orders Ex Trans	Sep	0.00%	--	0.20%
11/03/2022 22:00	Durable Goods Orders	Sep F	0.40%	--	0.40%
11/03/2022 22:00	Durables Ex Transportation	Sep F	-0.50%	--	-0.50%
11/03/2022 22:00	Cap Goods Orders Nondel Ex Air	Sep F	-0.60%	--	-0.70%
11/03/2022 22:00	ISM Services Index	Oct	55.3	--	56.7
11/03/2022 22:00	Cap Goods Ship Nondel Ex Air	Sep F	--	--	-0.50%
11/04/2022 20:30	Two-Month Payroll Net Revision	Oct	--	--	11k
11/04/2022 20:30	Change in Nonfarm Payrolls	Oct	200k	--	263k
11/04/2022 20:30	Change in Private Payrolls	Oct	200k	--	288k
11/04/2022 20:30	Change in Manufact. Payrolls	Oct	12k	--	22k
11/04/2022 20:30	Unemployment Rate	Oct	3.60%	--	3.50%
11/04/2022 20:30	Average Hourly Earnings MoM	Oct	0.30%	--	0.30%
11/04/2022 20:30	Average Hourly Earnings YoY	Oct	4.70%	--	5.00%
11/04/2022 20:30	Average Weekly Hours All Employees	Oct	34.5	--	34.5
11/04/2022 20:30	Labor Force Participation Rate	Oct	62.30%	--	62.30%
11/04/2022 20:30	Underemployment Rate	Oct	--	--	6.70%

INDEX FUTURES DAILY PREVIEW

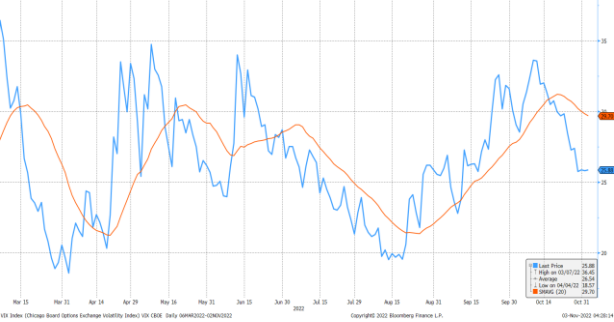
November 3, 2022

Contract	Close	Change	High	Low
E-Mini Dow DEC 22	32,178.00	-512.00	33,106.00	32,121.00
E-Mini S&P DEC 22	3,768.75	-98.500	3,907.00	3,760.25
E-Mini NASDAQ DEC 22	10,944.50	-389.50	11,460.00	10,909.00
Micro Russell 2K JUN 22	1792.5	-64.1	1869.6	1789.4
USD Nikkei DEC 22	27,320.0	-270.0	27,745.00	27,290.00
Euro Dollar DEC 22	94.89	0.000	94.95	94.85
US Dollar Index	112.05	0.573	112.06	110.43
DJIA	32,147.76	-505.440	33,071.93	32,139.77
S&P 500	3,759.69	-96.410	3,894.44	3,758.68
NASDAQ	10,524.80	-366.050	10,993.24	10,522.90
Nikkei 225	27,663.39	-15.530	27,692.55	27,546.88
Hang Seng	15,827.17	371.900	15,867.24	15,276.76
Straits Times	3,141.13	10.630	3,141.13	3,113.79
DAX	13,256.74	-82.000	13,398.64	13,255.07
CAC	6,276.88	-51.370	6,376.29	6,273.55
FTSE100	7,144.14	-42.020	7,205.07	7,130.50
Historical Volatility				
E-Mini Dow Futures	22.02	24.35	22.38	20.09
E-Mini S&P Futures	27.26	27.88	25.39	23.35
E-Mini Nasdaq Futures	15.48	17.62	16.39	15.61

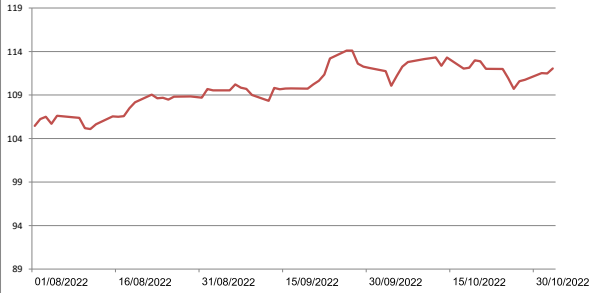
U.S. Government Treasuries Yield



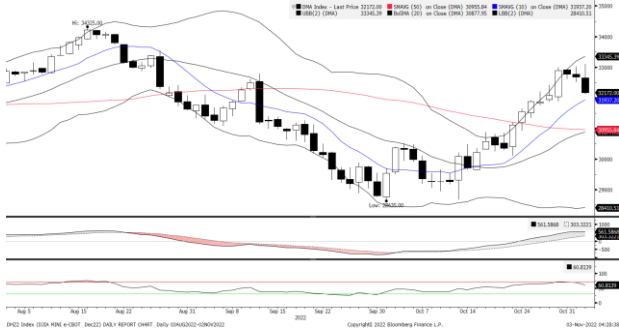
CBOE Volatility Index (VIX)



Dollar Index



E-Mini Dow Index Futures Daily Chart



E-Mini NASDAQ 100 Index Futures Daily Chart



Technical Analysis

Dow			S&P		
1st Resistance:	32661	2nd Resistance:	33143	1st Resistance:	3825.28
1st Support:	31695	2nd Resistance:	31213	2nd Resistance:	3881.81
MACD:	561.358			MACD:	13.519595
MACD DIFF:	258.372			MACD DIFF:	20.555917
RSI:	60.804			RSI:	48.169417

Strategy

	Long:	Profit target:	Stop-loss:		Long:	Profit target:	Stop-loss:
Dow	31695	32012	31537		31213	31525	31057
S&P	3712.22	3749.34	3693.66		3655.69	3692.24	3637.41
Nasdaq	10780.33	10888.14	10726.43		10616.17	10722.33	10563.08
Micro Russell	1765.61	1783.27	1756.78		1738.73	1756.11	1730.03

E-Mini S&P 500 Index Futures Daily Chart



Micro E-Mini Russell 2000 Index Futures Daily Chart



Nasdaq

1st Resistance:	11108.67	2nd Resistance:	11272.84
1st Support:	10790.33	2nd Resistance:	10616.17
MACD:	-92.936		
MACD DIFF:	33.327		
RSI:	41.373		

Micro Russell

1st Resistance:	1819.39	2nd Resistance:	1846.28
1st Support:	1765.61	2nd Resistance:	1738.73
MACD:	17.722		
MACD DIFF:	13.247		
RSI:	51.877		

Source: Bloomberg

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