

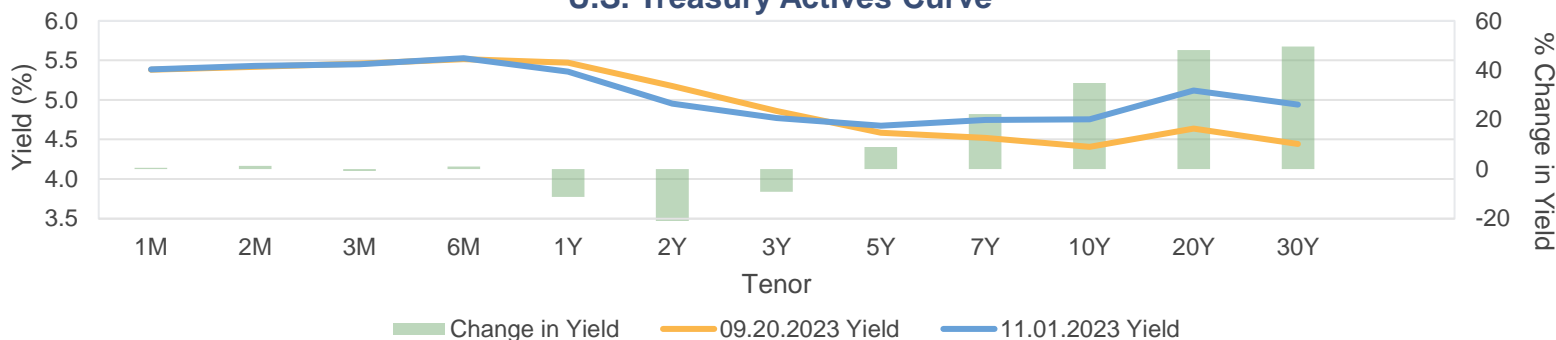
No Surprises from the Fed

November 2, 2023

Markets breathed a sigh of relief as the Federal Reserve (Fed) maintained the current fed funds rate at an upper bound of 5.50%. The statement that was released was nearly identical to the September 20 statement with a notable exception, referencing the recent sharp increase in rates and noting that “tighter **financial** and credit conditions for households and businesses are likely to weigh on economic activity, hiring and inflation.” The insertion of **financial** is the key addition. During the press conference Fed Chair Jerome Powell also referenced this increase in rates and its potential headwind for the economy. However, he also acknowledged that while progress has been made on the inflation front, more work is needed to bring inflation down to their goal. The option to hike again is still on the table, but the Fed is also weighing the cumulative effect of the recent hikes which may not be fully realized yet.

U.S. Treasuries, which were already rallying on the news that the treasuries refunding requirements were below expectations, continued to gain during the press conference. Both U.S. Treasuries and risk assets appreciated on the perception that this statement and subsequent press conference were more dovish than anticipated. Both 2-year and 10-year yields dropped by more than ten basis points, falling to 4.77% and 4.96%, respectively.

U.S. Treasury Actives Curve



Our View:

This marks two consecutive pauses for the Fed, but we remain unconvinced that this hiking cycle is over. Importantly, we think a change in Fed policy to cuts is an even higher hurdle. Inflation is still well above goal, and employment, growth and wages remain strong. However, we do expect a slowdown in growth next year and remain positioned with an up in quality bias. Tactically, we may add incremental exposure to risk assets as opportunities emerge. On the duration front, we are generally neutral but will also opportunistically add or reduce exposure as rate volatility remains elevated.

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. The information provided herein is subject to market conditions and is therefore expected to fluctuate.

The opinions contained in the preceding presentation reflect those of Sterling Capital Management LLC, and not those of Truist Financial Corporation or its executives. The stated opinions are for general information only and are educational in nature. These opinions are not meant to be predictions or an offer of individual or personalized investment advice. They are not intended as an offer or solicitation with respect to the purchase or sale of any security. This information and these opinions are subject to change without notice. All opinions and information herein have been obtained or derived from sources believed to be reliable. Sterling Capital Management LLC does not assume liability for any loss which may result from the reliance by any person upon such information or opinions.

Investment advisory services are available through Sterling Capital Management LLC, an investment adviser registered with the U.S. Securities & Exchange Commission and an independently-operated subsidiary of Truist Financial Corporation. Sterling Capital Management LLC manages customized investment portfolios, provides asset allocation analysis and offers other investment-related services to affluent individuals and businesses. Securities and other investments held in investment management or investment advisory accounts at Sterling Capital Management LLC are not deposits or other obligations of Truist Financial Corporation, Truist Bank or any affiliate, are not guaranteed by Truist Bank or any other bank, are not insured by the FDIC or any other federal government agency, and are subject to investment risk, including possible loss of principal invested.

Chart and textual data is as of 11.01.2023 and is sourced from Bloomberg L.P.

