To: Members of the MDP Class of 2022-2023 **November 3, 2022**
Fr: Andy Davies

Ladies and Gentlemen: For those of you able to do so, this is IDEAL TIME to sit down with your CFO or Controller or Chief Accounting Officer and get their views of how these continued increases specifically affect your bank… on the LOAN side and on the DEPOSIT side!

The Wall Street Journal **November 3, 2022**

"Fed Lifts Rates, Signals Ways to Go"

Stocks fall as Powell says tightening will continue after latest 0.75-point increase

By Nick Timiraos

WASHINGTON—The Federal Reserve lifted interest rates by another 0.75 percentage point to combat inflation and signaled plans to keep raising them, possibly in smaller increments but to higher levels than previously anticipated.

After the Fed approved its fourth consecutive 0.75-point rate rise Wednesday, Chairman Jerome Powell said central-bank officials would contemplate a smaller hike at their next meeting in December. But he cautioned that they might raise borrowing costs next year more than they have projected.

"The question of when to moderate the pace of increases is now much less important than the question of how high to raise rates and how long to keep monetary policy restrictive," he said at a news conference.

Mr. Powell also warned that reducing the size of rate increases didn't mean the Fed thought it was close to pivoting away from raising rates.

"It is very premature to be thinking about pausing," Mr. Powell said. "We think we have a ways to go."

"The inflation picture has become more and more challenging over the course of this year, without question," he said. "To the extent rates have to go higher and stay higher for longer, it becomes harder to see the path" that avoids a recession.

Investors in interest-rate futures markets expect the Fed to raise the fed-funds rate slightly above 5% by the spring, and Mr. Powell's comments Wednesday suggested he likely agreed with that outlook, said Michael Gapen, chief U.S. economist at Bank of America.

While Mr. Powell said he didn't think the Fed had raised interest rates too much, he repeated his view that it would be appropriate for the central bank to err on the side of overdoing it because he saw a bigger cost for the economy in allowing inflation to become entrenched.

The latest rate increase will bring the fed-funds rate to a level last seen in the first three weeks of 2008, as the economy was sliding into a deep recession and before the Fed accelerated rate cuts as a global fi-

The increase will bring the fed-funds rate to a level last seen in early 2008.

His comments opened the door to slowing rate rises as soon as December, though he said no decisions had been reached. He also said the Fed wasn't close to stopping rate rises and holding rates steady for a while.

"We think there is some ground to cover before we meet that test," Mr. Powell said.

Some analysts said it has been clear for some time the Fed would prefer to slow its rate increases to avoid tightening policy too much.

Other economists think hotter readings on inflation or signs of stronger hiring and wage pressures could still prevent the Fed from dialing back its rate increases in December.

Inflation pressures have broadened despite some signs of potential relief. Commodity prices have fallen. Easing supply-chain bottlenecks could lead to slower increases or outright declines in the prices of goods. Home prices are falling, and rent growth has slowed.

But the strong job market, a generous savings cushion boosted by pandemic relief, and heady gains in asset prices over the past few years could keep consumer spending robust, giving businesses more power to keep raising prices.