

# Michigan School Business Officials

## Market Update

May 27, 2022

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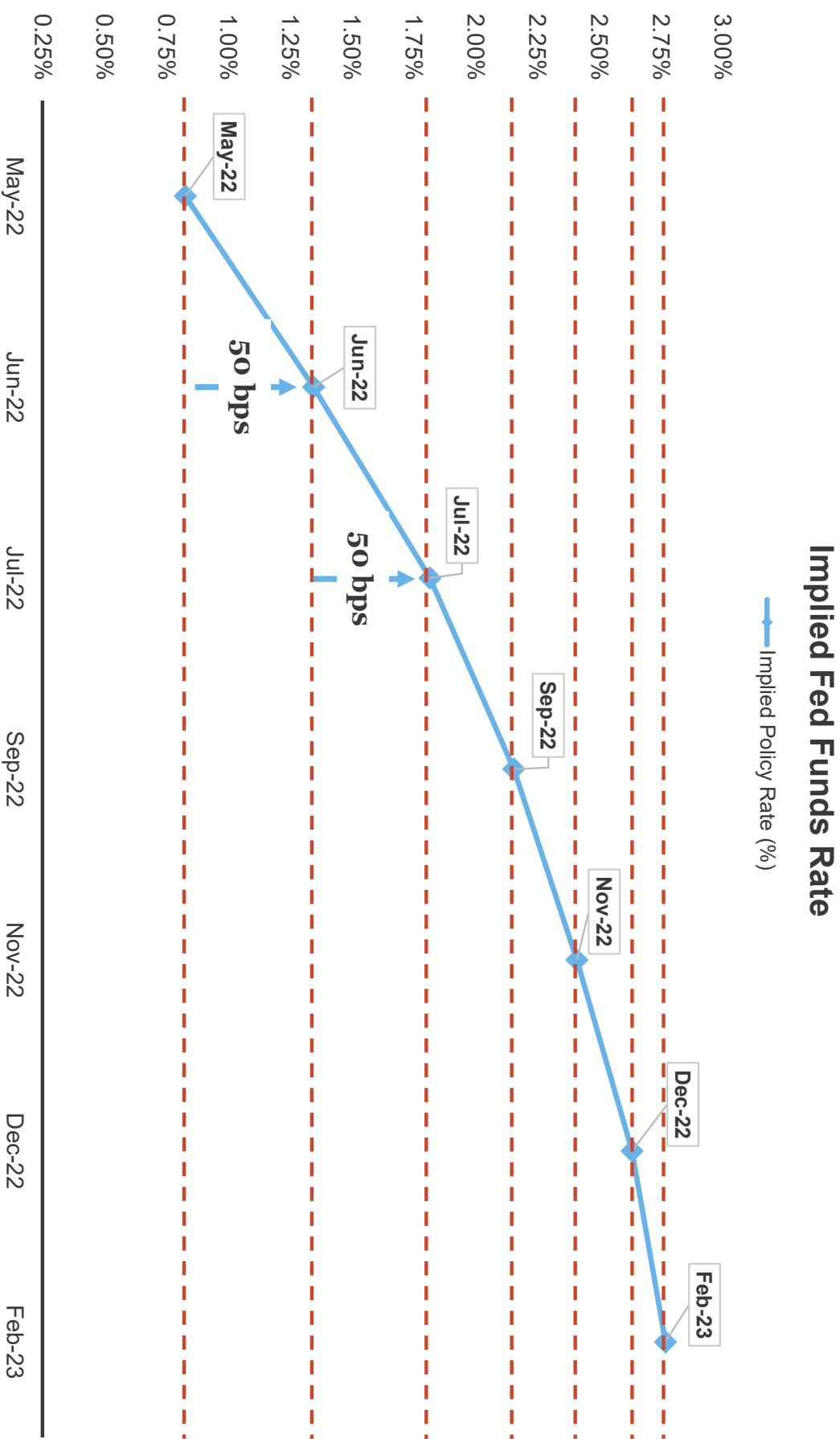


# FOMC Broadly Agreed on Half-Point Hikes

## Highlights from the May 3-4, 2022 FOMC Meeting Minutes

- ▶ **Most participants** judged that **50 basis point increases** in the target range would likely be appropriate at the **next couple** of meetings.
- ▶ At present, participants judged that it was important to move expeditiously to a **more neutral** monetary policy stance. They also noted that a **restrictive** stance of policy may well become appropriate depending on the **evolving economic outlook** and the **risks** to the outlook.
- ▶ Many participants judged that expediting the **removal of policy accommodation** would leave the Committee well positioned later this year to **assess** the effects of policy firming and the extent to which **economic developments** warranted **policy adjustments**.
- ▶ **Several participants** who commented on issues related to financial stability noted that the **tightening of monetary policy** could interact with **vulnerabilities** related to the **liquidity** of markets for **Treasury securities** and to the private sector's intermediation capacity.

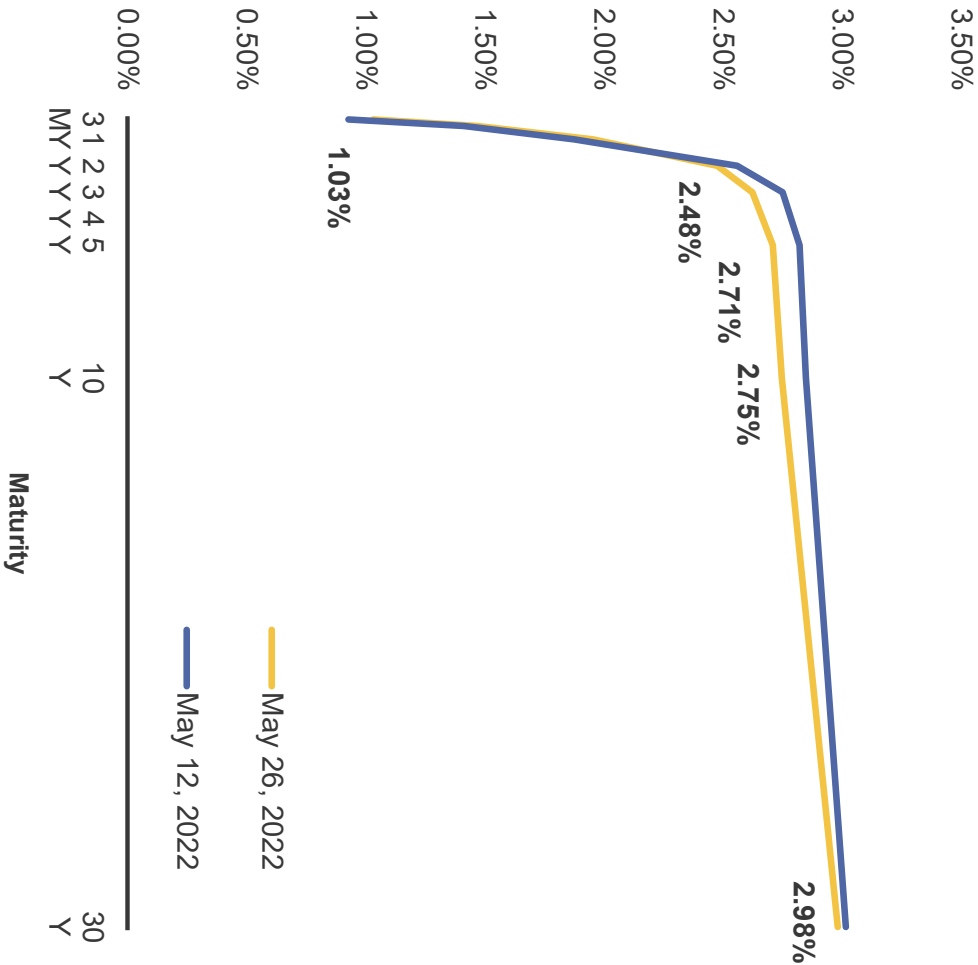
# Market Expectation for Aggressive Rate Hikes



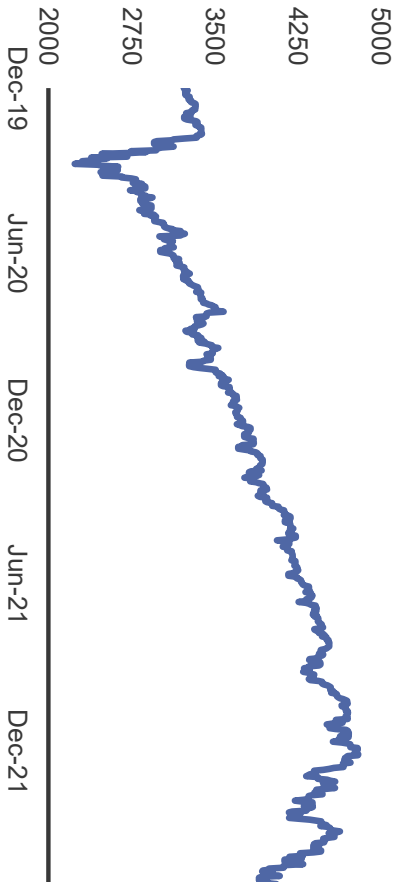
Source: Federal Reserve, Bloomberg, WIRP as of 5/26/2022. Rate hikes are based on an assumed rate move of 25 basis points (0.25%).

# Capital Markets React to Economic, Inflation and Fed Expectations

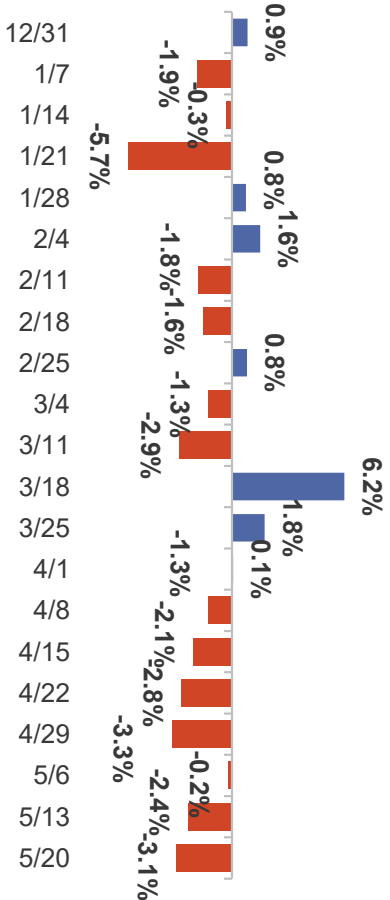
U.S. Treasury Yield Curve



S&P 500 Price Change



S&P Weekly Price Return



Source: Bloomberg, as of 5/26/2022 (left, top right), as of 5/20/2022 (bottom right).

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