



### ***Ropes Wealth Reacts to a Fed in No Hurry and Other News***

Federal Reserve Chairman Jay Powell surprised markets this week when he said even more vehemently that there's no need to rush interest rate cuts.

*"The economy is not sending any signals that we need to be in a hurry to lower rates," Powell said. "The strength we are currently seeing in the economy gives us the ability to approach our decisions carefully."*

He added: *"Inflation is running much closer to our 2% longer-run goal, but it is not there yet. We are committed to finishing the job."*

His comments were notable following a similar sentiment expressed last week, though then the Fed still moved forward with an interest rate cut of 25 basis points. Now, however, markets are getting worried that the Fed may be on hold from further easing, which is giving financial markets pause at these high levels. Retail sales data as well as consumer and producer price inflation out this week contributed those fears of a Fed pause as both continued to show strength in the economy. October retail sales rose 0.4% versus expectations of 0.3%. Though auto sales drove the majority of October gains and, ex-auto and gas, sales were up just 0.1% and below the 0.3% estimate. September sales for both groups were revised notably higher from the prior reading. Hotter consumer and producer price data that showed inflation remains stubbornly above the Fed's 2% target did not help matters either. Year-over-year the Consumer Price Index (CPI) rose 2.6% in October, up from 2.4% in September as housing prices remain high. The core annual CPI index excluding the impacts of food and energy prices rose 3.3%, steady with September. The October Producer Price Index (PPI) was likewise firm, rising 2.3%, while the core PPI clocked in at 3.1%.

With this uncertainty, stocks took a breather as some momentum from last's week's post-election rally faded. Economists are warning that the proposals put forward by president-elect Donald Trump, such as tariffs and deportations, could cause inflationary pressures to reignite. Asked on Thursday how that may affect the Fed's policy decisions, Powell said the central bank would be *"careful about changing policy until we have a lot more certainty"*. He said the impact of tariffs *"isn't obvious until we see actual policies"*, stressing the Fed would *"reserve judgment"*. Nevertheless, market pundits interpreted Powell's "no hurry" stance as a sign the Fed may be repositioning following the election to allow for maximum flexibility in their future policy response.

Though the spotlight is on Washington and not Wall Street at the moment, earnings season is in its final innings, with over 90% of the S&P 500 Index companies reporting an impressive year-over-year growth rate at 5.3%, marking the fifth consecutive quarter of growth. It was nice to see Walt Disney have strong positive results as their direct-to-consumer streaming business posted an operating profit of \$321 million, a sharp improvement from losses of \$387 million a year ago. The semiconductor equipment maker Applied Materials was less sanguine, posting earnings and revenue growth but forecasting a slowdown in demand. Likewise, Cisco dropped despite earnings, revenue, and fiscal second-quarter guidance all beating estimates as artificial intelligence spending uneasiness is roiling the progress of certain stocks in the tech sector. On the retail front, Home Depot and Lowe's posted better results but shares pulled back amid general weakness for the home industry given higher rates.

But bitcoin takes the cake for the week as the price topped \$93,000 for a short period as expectations of further interest-rate reductions by the Federal Reserve added to the impetus from President-elect Donald Trump's pro-crypto stance. The president-elect has pledged to create a friendly regulatory framework for crypto, set up a

strategic Bitcoin stockpile, and make the U.S. the global hub for the industry. A onetime crypto skeptic, Trump changed tack after digital-asset firms spent heavily during election campaigning to promote their interests.

It has been a whirlwind week as the president-elect has put forward his Cabinet selections and the final votes showed Republicans claimed their 218th seat in the U.S. House of Representatives late yesterday, enough to keep control of the chamber. Unified government gives Republicans the opportunity to pass a bold agenda that includes tariffs, a huge tax cut bill, dramatic changes to immigration policy, a major deregulation effort, and much more. While some of those policies like deregulation and tax cuts may benefit stocks, others like tariffs and deportation are likely to hurt the equity market's prospects. I thought it notable that CNBC Mad Money host Jim Cramer said the president-elect "*always told me that the Dow Jones Industrial Average was his version of the Nielsen ratings.*" Perhaps then Trump will consider closely the financial market impact of his decisions as one form of a check and balance in this next chapter of our history.

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Ropes Wealth Advisors  
800 Boylston Street Boston, MA 02199-3600