FED HIKES 25BP TO 375–400BP AS MARKETS SHRUG IT OFF

The Market Proposes, The *Fed* Disposes

Been There, Done That, Time to Move On

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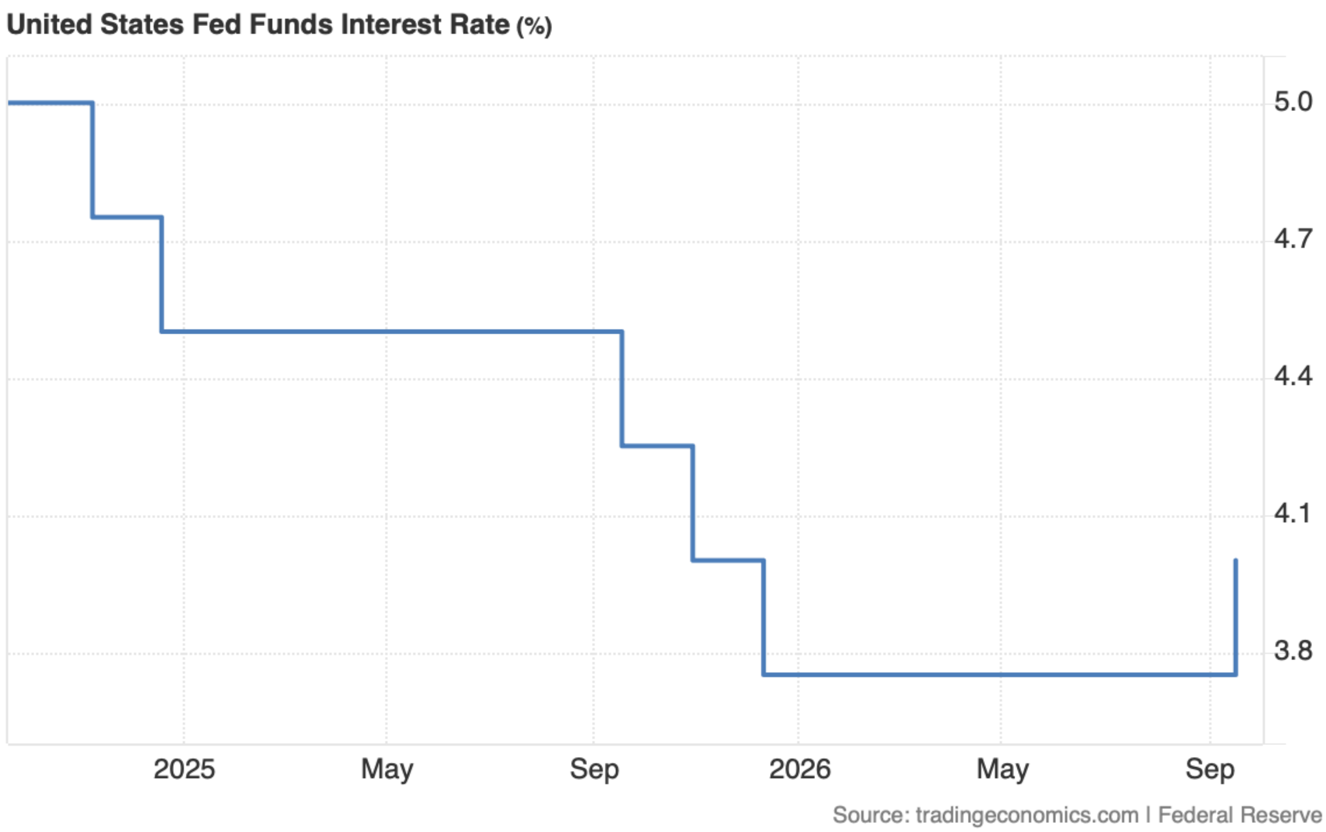
OVERVIEW

The first hike since 2023, telegraphed at Jackson Hole, Delivered. A positive reaction in the run-up, and to the FOMC result, is a **bullish positive,** suggesting a market far more focused on near-term growth than the ensuing, eventual slowdown, a hike will bring - who are we to argue. *The market shrugging off the hike is meaningful signal -* not only have indices reclaimed critical support levels, a move up bodes well for risk-on scenarios, notwithstanding longer-term issue that will linger. *Growth sectors, tech in particular, have lagged the broader market - a resumption of leadership by tech is bullish in more ways than one.* While one swallow does not a summer make, price action's growth read through is unmissable. *Our bullish premise remains dependent on the market regaining momentum and "growth" resuming leadership - initial signs are supportive.*

- **FOMC Decision** - The FED delivered a 25bp hike to 375-400bp, a decision widely expected by the market. While we retain the view that supply shocks can't be solved through monetary tightening, the **more important message is that despite the "dot plots" factoring in another hike by Dec-Jan (>80% probability, implied by futures), markets have taken that in stride.**
- **Growth Sector Reaction** - Tech heavy Nasdaq is up slightly as of this writing - importantly, XLK (tech ETF) is not only outperforming defensives, but also the high octane energy ETF (XLE). **Even more telling, semiconductor ETFs (SMH & SOXX) are outpacing the broader market**.
- **What's In The Price** - Detaching from narratives, and focusing on price is a more robust way of addressing the difficult "what's in the price?" question - Tech's Jun-Jul, 13% point underperformance reflects the sum of all fears - **not only is the "hawkishness priced in, price action suggests a growth biased, positive outlook.**
- **Lines In The Sand** - The "must defend" 7400-7600 zone for the S&P remains. A successful, sustained breakout above 7800 remains the "blue skies" zone.

FED RATES - CUT, PAUSE AND THEN RAISE



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END OF TECH UNDERPERFORMANCE?

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