



Basis Points – September 22, 2022

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Above the Fold

Fed Speaks, Yields Drop

In another unanimous decision, the Federal Reserve hiked rates another 75 basis points, bringing the federal funds target range from 3.00% to 3.25%. Though the increase was largely expected, the so-called “terminal rate,” which is the highest level projected for rates, rose to a range of 4.5% to 4.75% (that’s expected to happen in 2023). The board went a bit further with the majority of the 19 members expecting a rise of another 1.25% before the year is out. There are two meetings left in the year to accomplish this new target. The move was more hawkish than markets had expected, sending the dollar and short-term treasury yields higher, while erasing gains made in crude oil and equities.

Ironically, Federal Reserve Chairman Jerome Powell seemed to paint an increasingly bleak outlook for housing and economic growth domestically and abroad. He did note continued strength in the labor market, which is becoming a more contentious call as many large companies have begun major layoffs. He also mentioned continued upward price pressures, but anticipates longer-term inflation to drop. The words “forceful,” “restrictive level” (of interest rates) and “strongly resolved to get inflation to 2%” stood out to us as the chairman admitted the Federal Open Market Committee (FOMC) will likely need to see longer-term weakness in economic growth and substantial changes in the health of the labor market. He did offer some calming words during the press conference, reminding market participants that the aggressiveness could certainly pause. For now, the Fed remains extremely committed to moving rates higher to a restrictive level (which he says we are approaching now) and will continue to review economic data from meeting to meeting.

Three Things

Sewage Can Be Coal Mine Canary for Future Outbreaks

While not particularly appetizing, human waste and other raw sewage can give officials and researchers an edge when it comes to illnesses and diseases such as monkeypox, polio and COVID-19. Humans can shed viruses into wastewater before even showing symptoms, which makes its analysis a “leading indicator.” When you think about it, wastewater from millions of residents is often directed to just a couple of treatment facilities. This concentrated sludge can be regularly sampled and tested by companies like Verily Life Sciences and others to help municipalities get ahead of potential outbreaks if certain pathogens are detected.

Satellite-to-Phone Service Provider Gets FCC Clearance

While larger companies like Apple, SpaceX and T-Mobile are all jockeying to operate global satellite-to-mobile communications services, one company, Lynk, just received a critical FCC (Federal Communications Commission) license. The license is the world’s first and allows Lynk to operate a satellite-*direct*-to-phone license for transmitting from space commercially. [Lynk](#) has been in the game for five years, with hardware currently in orbit, and is the only company with an “active cell tower in space.” So far it has signed contracts with 15 mobile network operators in 36 countries representing over 240 million mobile users and is actively testing/negotiating in another 10 countries, including the U.S.

Latest Housing Market Data Shows Effectiveness of Fed's Actions

Existing home sales dropped 0.4% in August from July, marking the seventh month of declines. Sales activity of previously owned homes was the weakest since May 2020, during the height of the pandemic. August sales were down nearly 20% from the same month in 2021, and the number of homes on the market remains relatively low. High prices and fast-rising rates have pushed home affordability to its lowest level in decades, and concerns around a looming recession is keeping buyers on the sidelines. Homes, on average, sold for 0.5% below their final list price, compared with 1.1% above list price a year earlier. The data is further proof that the Federal Reserve's dramatic interest rate hikes are impacting both the economy and the housing market.

In the Know

Flight Training Goes Green Across the Pond

With a global pilot shortage looming, and fuel prices soaring, flight schools in the UK and EU have approved an all-electric plane designed to teach pilots. The Vells Electro, manufactured in Slovenia by Pipistrel, is a two-seat trainer that can hold a payload of roughly 380 pounds (for pilot and instructor) and cruises at around 100 MPH. The plane can fly for just under an hour and can be recharged quickly for the next flight. It's nearly as quiet as a glider and is zero emission. The lower costs of operation also lower student costs. And while American flight schools may not be stocked with electric planes yet, the Vells Electro is certainly a sign of things to come. Pipistrel is owned by American aviation conglomerate Textron and is part of their eAviation suite of brands. The global electric aircraft market is expected to balloon to \$40 billion by 2030.

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