

Markets

Bull Cases Were Coming True Before Powell Warnings Wallop Stocks

- Data on profit margins, consumer sentiment defied bear alarms
- Nothing seemed to matter when Fed becomes market's antagonist

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“The market was inappropriately optimistic that the Fed was going to be able to be more dovish today and over the course of the next six to 12 months,” said Phil Orlando, chief equity market strategist at Federated Hermes. “Powell dissuaded the market from believing that, and we think stocks should go lower, materially lower.”

“It would not be too much of a stretch to call this an ‘anti-pivot’ speech,” Evercore ISI analysts Krishna Guha and Peter Williams wrote in a note. “Pivot optimism seems to have lingered longest in equities amid rising hopes for a risk-friendly reaction function when trade-offs emerge -- setting stocks up for a larger move lower on the day.”