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Stocks Dropped Because the Fed Will Keep Raising Rates Until Inflation Breaks—or the Market Does

By [Nicholas Jasinski](#) [Follow](#) Nov. 4, 2022 7:12 pm ET

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Federal Reserve Chairman Jerome Powell at a news conference on Wednesday. Al Drago/Bloomberg

the market took from the Federal Reserve policy committee's Wednesday decision. Officials [hiked their target interest rate by 0.75 percentage point](#), and Chairman Jerome Powell drove home the message that there's more work to be done.

The moves prompted two days of sharp declines from major indexes that the market never recovered from. The Dow Jones Industrial Average [DJIA +1.26% ▲](#) finished the week down 1.40%, the S&P 500 [SPX +1.36% ▲](#) lost 3.35%, and the Nasdaq Composite [COMP +1.28% ▲](#) dropped 5.65%. Treasury yields rose across the curve, as investors priced in a higher peak, or terminal, rate and expectations that the Fed will keep rates there for some time.

Those future hikes will come on top of all the tightening that has already happened this year. At the start of 2022, the federal-funds rate was a hair above zero, and the Fed was still hoovering up bonds. Since March, the central bank has lifted the fed-funds rate by 3.75 percentage points.