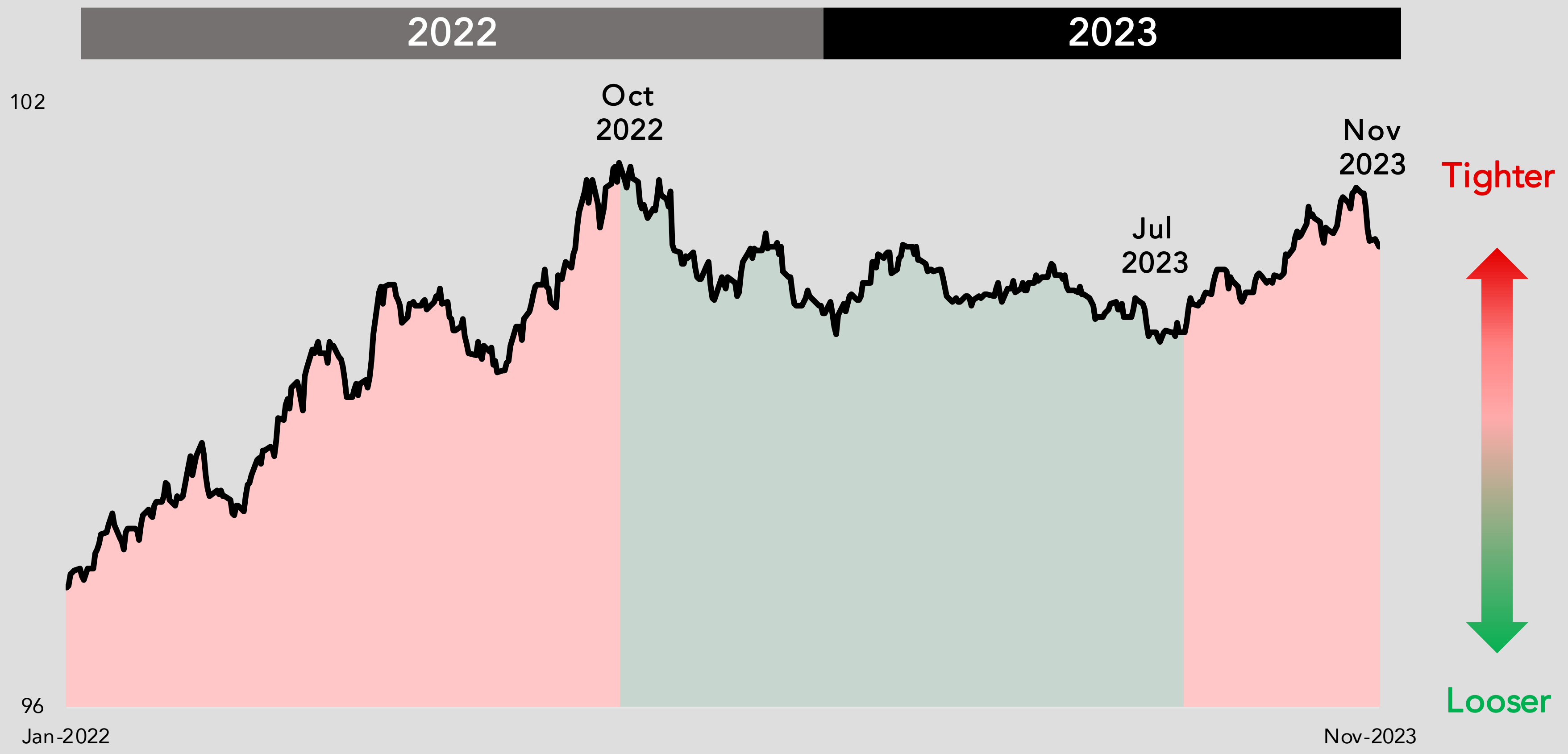
Capital Markets Strategy

Essential inCights for the C-Suite

Chart of the Day

Since the bear market steepening in US rates began after the US debt ceiling resolution on June 1st, the combination of higher rates, wider credit spreads, softer equities and a stronger US dollar have led to a material tightening in US financial market conditions. With financial markets now doing the tightening, the Fed has more flexibility to "pause" in its tightening cycle by maintaining a somewhat hawkish communication strategy.

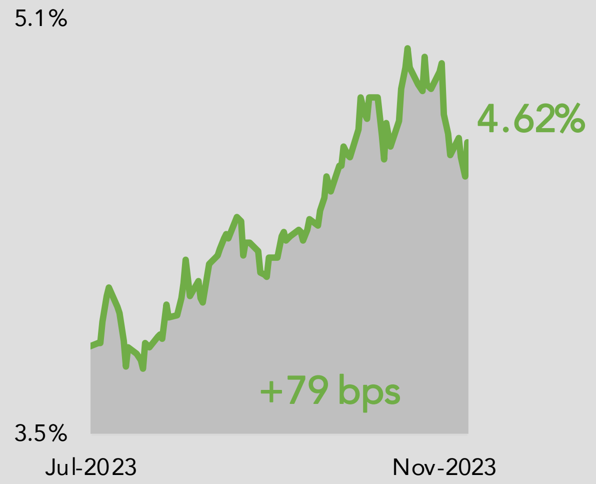
US Financial Conditions Index



Key drivers of tighter financial conditions

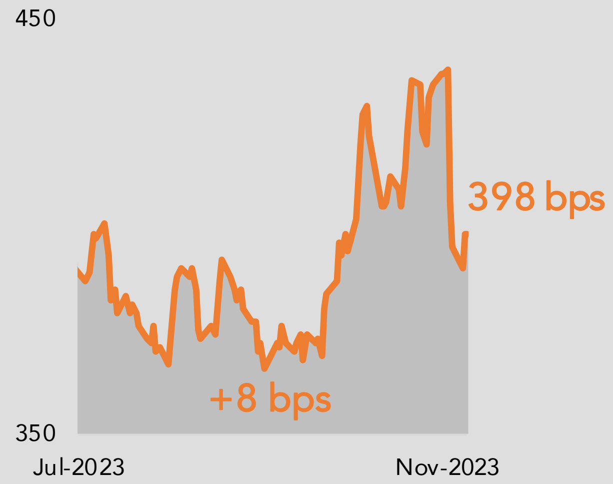
Higher rates

10 year UST



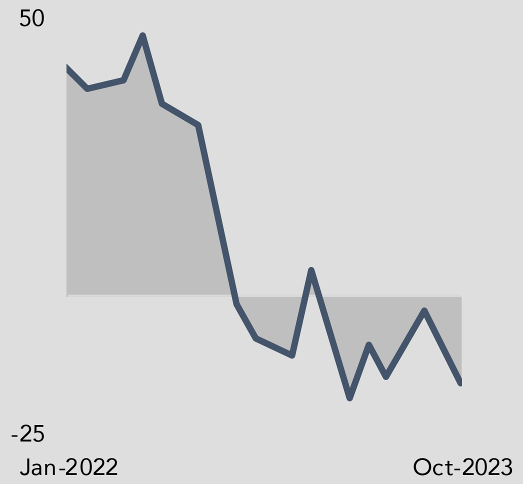
Wider credit spreads

USD HY credit spreads



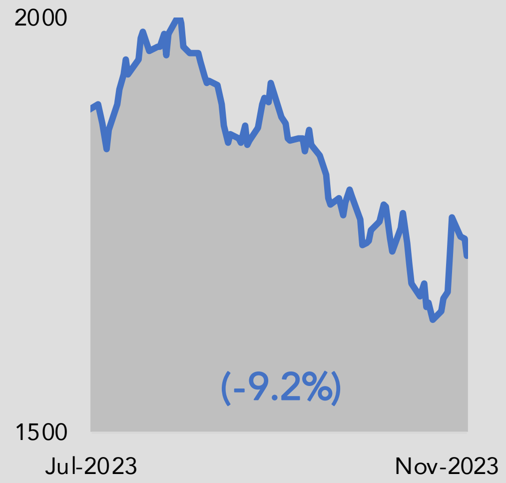
Tighter bank lending

Total bank loan volume index



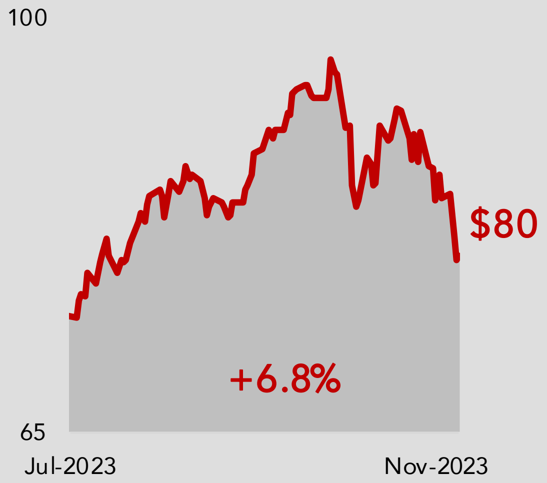
Softer equities

Russell 2000



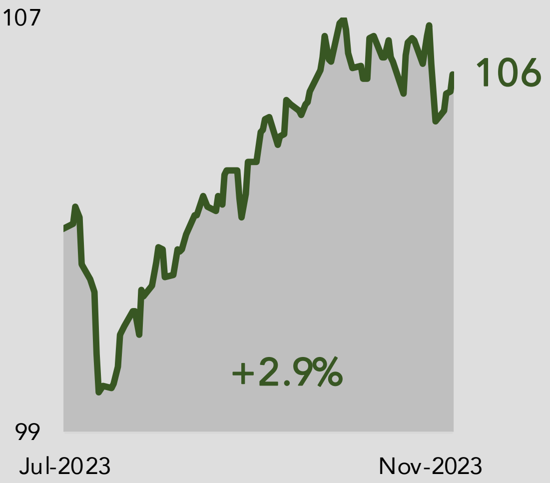
Higher energy prices

Brent



Resilient US Dollar

USD index



Source: (1-7) Bloomberg. Data as of November 9, 2023. Federal Reserve Bank of Dallas. Banking Conditions Survey. Data collected September 19-27 and 69 financial institutions responded to the survey.

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"Macro stability isn't everything, but without it, you have nothing."