



Stocks Jump In Choppy Trade As December Rate Hike Still Possible

By Teresa Rivas - October 28, 2015

Stocks had a wild ride Wednesday, after the Federal Reserve left interest rates unchanged but hinted a December rate hike was still in the cards.

Stocks opened lower this morning, but then were trading up by midday; however the market slumped immediately after the Fed released its statement. Yet by the end of the day stock were up once more.

The Dow Jones Industrial Average gained 198.09 points, or 1.13%, to 17779.52. The Nasdaq climbed 65.55 points, or 1.30%, to 5095.69. The S&P 500 Index rose 24.46 points, or 1.18%, to 2090.35.

There's also a chance that the Fed's decision will be a boon for small caps as well.

The **Economic Outlook Group's** Chief Global Economist **Bernard Baumohl** is certainly in the camp that believes a December rate hike is coming:

“In determining whether it will be appropriate to raise the target range at its next meeting, the Committee will assess progress—both realized and expected—toward its objectives of maximum employment and 2 percent inflation.” Translation: In the absence of any major deterioration in US economic activity, December is the month the long drum roll to raise rates finally comes to an end. After all, the recovery is now in its 7th year, the unemployment rate stands at a 7.5 year low, employers are seeking to fill a near record number of positions, claims for jobless benefits are at 40 yr. lows, core inflation is crawling up, housing is in recovery mode, and GDP growth continues to hover around 2.5%. There is no justification for keeping rates at the emergency level of near zero any longer. Game-set-match!

It's not when rates go up that's the question, he argues, but how long-term rates will react to higher short-term rates.

Nonetheless, there's no guarantee that a December rate hike will happen. **Mizohu's** Chief Economist **Steven Ricchiuto** thinks it's unlikely:

Although the FOMC removed some of global growth language from the post meeting policy statement this doesn't increase the risk of a December rate hike. The Committee has been data dependent for months and remains data dependent. The lack of specific reference to global conditions doesn't mean that they are not a consideration. In fact, the increase in the exchange value of the dollar will make it harder for US companies to compete, especially coming off the back of a difficult earnings season. Companies who managed to make their earnings have tended to lower guidance, missed on revenues, or announced layoffs. This doesn't sound like an economy that is going to generate the type of growth between now and December which will allow the Fed to hike.

As for individual stocks, **Northrop Grumman** (NOC) climbed after winning a contract with the Department of Defense for a new bomber.

Gilead Sciences (GILD) closed lower despite reporting a big beat-and-raise quarter late Tuesday. JPMorgan argues its Hepatitis C sales will keep the focus on M&A.

Ford (F) ended up a day after its mixed third-quarter earnings report. **UBS** says investor optimism makes sense, while **Citigroup** prefers General Motors among U.S. automakers.

Cummins (CMI) shook off a downgrade from **Morgan Stanley** to end higher, but **JetBlue** (JBLU) wasn't as lucky, falling after a downgrade from **Credit Suisse**.

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