## One and Donish

**One and done** seems to have been priced in and we "kind of" got that, though I'll call it "donish". They will decide what to do in June for the June meeting (what they should do at every meeting). So, we are stuck with divining what data they pay more or less attention to and waiting for that data to roll in.

He seemed to **downplay the risk of financial conditions tightening** as a result of ongoing pressure on bank valuations. **Negative for risk**.

**Given where inflation is (and the messaging from today)**, it seems that for now markets will have to go between pricing in 0 and 25 bps. With WIRP pricing in about a 10% chance of a hike at the next meeting (as of 3pm ET), that seems about right. **A tiny negative for risk**.

**Markets are still pricing in multiple cuts by year-end.** I agree that should be the path, **but "donish" is far from "dovish"** and that is all we got today. Look for a battle between the Fed and markets in the coming days as they try to jawbone away cuts later this year. Maybe that is why he is so adamant that 2% is their target (and not some 3% "soft" target).

**Quantitative tightening remains in play** (as it should), but I continue to believe that QT has more of an impact on risk asset prices than rate hikes or cuts (at least in the near-term). **Negative for risk**.

**My takeaway is that so long as jobs are strong**, 2% is their inflation target and they will push on the economy. I'm okay with that so long as we have strength in all segments of the job market (I'm concerned about the state of higher-income jobs in this economy).

**The topics from this week's Smooth Sailing T-Report remain relevant:**

- Inventories, the consumer, inflation, not a short squeeze, M2, the Fed, jobs, the debt ceiling, and China/other geopolitical risks.

The biggest change from this weekend (to the negative) is the broad pressure on banks again after the FRC deal.

So far, I am not seeing inordinate buying pressure in markets and even 0DTE options seem reasonably well behaved.

**The bad news for bears** (of which I remain one) is that Powell did a very solid job during this press conference. There were no "gotcha" type of moments and "donish" is better than being hawkish, which was a plausible (but unlikely) stance for the Fed to take.

**The good news for bears** is that despite all sorts of recent stories about record short positions in stock futures, the market isn't trading at all like there is a short squeeze. This makes me wonder if there are some very large long positions (potentially concentrated in a small number of stocks) using the broad market as a hedge. I'm starting to believe that this is the positioning, which makes me want to start any long positions with the laggards and avoid the highest fliers of the recent weeks and months.

**Disclaimer**