

Macro Overview

Financial markets were distraught during the third quarter as rising rates, inflation, and slowing economic activity hindered major equity indices. Dramatic tax cuts implemented in the U.K. stirred global financial currency markets with the British pound falling to historic lows. Fiscal policy reform is becoming a focal point as various international economies are poised to fall into recession.

The effects of Hurricane Ian on the insurance and property casualty industry may take months to determine. Preliminary estimates are expected to surpass \$57 billion in property losses and damage, yet not as catastrophic as Katrina's \$125 billion in losses during 2005.

Affordability constraints from elevated home prices and rising mortgage rates continue to hinder housing nationwide. Consequently, mortgage volume for both purchased and refinanced loans fell to a 22-year low in late September due to increasing rates which are slowing mortgage activity.

Concerns surrounding the extent of the Federal Reserve's strategy on raising rates affected fixed-income and equity markets in September. The Fed's strategy to combat inflation by increasing the Fed Funds rate has been one of the most ambitious in decades. The Federal Reserve increased short-term rates again in September with the Fed Funds rate reaching a target range of 3% to 3.25%.

Sources: Federal Reserve, FreddieMac, Mortgage Bankers Association, Treasury Dept., Bloomberg

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