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Expectations hold for March hike

The stock market has been up and down in February, but cash rates keep climbing in a slow and steady fashion. The near-term reason is the high likelihood of a rate hike in March, when the Federal Reserve meets next to set monetary policy. Minutes released last week from the Fed's January meeting only added to that market call, as many of the members commented on the growing potency of the U.S. economy. With many economic indicators showing strength, manufacturing activity as high as it has been in four years and a still healthy job market, the Fed will not want to get behind the curve. The only, or at least the biggest, fly in the ointment is inflation. If it fails to pick-up, it could lead policymakers to be more cautious when considering raising rates beyond the three expected this year.

The London interbank offered rate continued to rise last week, with 1-month increasing to 1.63%, 3-month rising to 1.96% and 6-month increasing to 2.18%.