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Shopping season off to good start

A week ahead of the Federal Reserve’s last policy-setting meeting of the year, reports show that inflation has pulled back. Both producer and consumer prices moderated in November, but likely not enough so for the Federal Open Market Committee to keep rates unchanged. We continue to expect a 25-basis-point hike this week, but all eyes will be on how many the Fed intimates could come in 2019. Wages are trending up, but have not put upward pressure on inflation to this point. Retail sales in November back this up, as sales jumped up in many categories, with—not surprisingly—online particularly strong. Consumers seem to be in a good mood in this crucial holiday spending period.

Last week, the London interbank offered rate changed as follows: 1-month climbed 6 basis points to 2.46%, 3-month rose 3 basis points to 2.80% and 6-month increased 1 basis point to 2.90%.