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## Confidence in fundamentals and Fed action

At first blush, it may seem contradictory that surveys of consumers and businesses released last week said they are optimistic about the economy—with one report on consumer confidence reaching a 14-year peak and another on small business sentiment hitting the second-highest reading in its existence—while others show that retail sales continue to be muted. But economic reports differ in methodology and in what period they gather data. It is more likely that retail sales will catch up, especially after the tax cuts are realized by more of the population, than that sentiment will fall. Of course, much of that has to do with how the Federal Reserve will respond to the improving macroeconomic environment at its policy-setting meeting this week. The consensus call is for a 25-basis-point hike.

The London interbank offered rate rose again over last week in anticipation of the hike, with 1-month increasing to 1.82%, 3-month jumping to 2.20% and 6-month rising to 2.36%.