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Weekly Commentary

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Fed a rock in volatile week

Amid a turbulent week with talks of trade wars upsetting the markets, the Federal Reserve provided stability for cash managers. In the first meeting under new Chair Jerome Powell, the Federal Open Market Committee (FOMC) could hardly have done better, issuing the widely expected 25-basis-point hike of the federal funds rate and also forecasting a slow-and-steady climb upward for the U.S. economy. Now at a range of 1.50-1.75%, the FOMC stated it expects the range to be 2-2.25% by the end of the year, with economic activity continuing to grow. Policymakers see slack remaining in the labor market, projecting the unemployment rate to dip to 3.6% next year. That’s a half-point drop from the current 4.1% figure reported by the Labor Department, and might explain somewhat why the Fed is not overly concerned with wage inflation spiking anytime soon.

The London interbank offered rate rose over last week following the hike, with 1-month increasing 6 basis points to 1.88%, 3-month jumping 9 basis points to 2.29% and 6-month rising 9 basis points to 2.45%.

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