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Paige Wilhelm
*Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling*

Fed: The economy is in ‘great’ shape

The Federal Reserve, as expected, raised rates at the meeting of its Federal Open Market Committee (FOMC) last week, putting the target range for the fed funds rate at 1.75-2%. In its economic projections, the FOMC indicated there might be two additional 25 basis-point hikes this year, in line with market expectations. Powell said that the economy is in “great” shape, and consumer behavior seems to be backing that up. Retail sales in May were at their highest in more than half a year. America’s economy is driven by consumption, so this likely will raise gross domestic product figures, which may in turn cause the Fed to hike to keep the economy from getting too hot.

The London interbank offered rate (Libor) rose modestly along the short end of the yield curve last week, with 1-month rising 3 basis points to 2.08%, 3-month up a basis point to 2.33% and 6-month increasing a basis point to 2.50%.