Making **Sense**

September 2023 Federal Open Market Committee Meeting

Federal Reserve Holds Rates—For Now

In Brief:

What just happened?

The Fed held the overnight rate at 5.25%-5.50%.

Why did the Fed hold?

Inflation is still above the Fed's preferred target, but past hikes take time to soak into the economy.

What is the impact?

Interest rates will likely remain higher for longer, with the potential for one more hike this year.

What to watch:

The Fed's next rate decision is November 1st. Ahead of that decision, the Fed will keep a close eye on inflation and wage data.

What now?

Review your financial plan.

Talk with your financial partner.

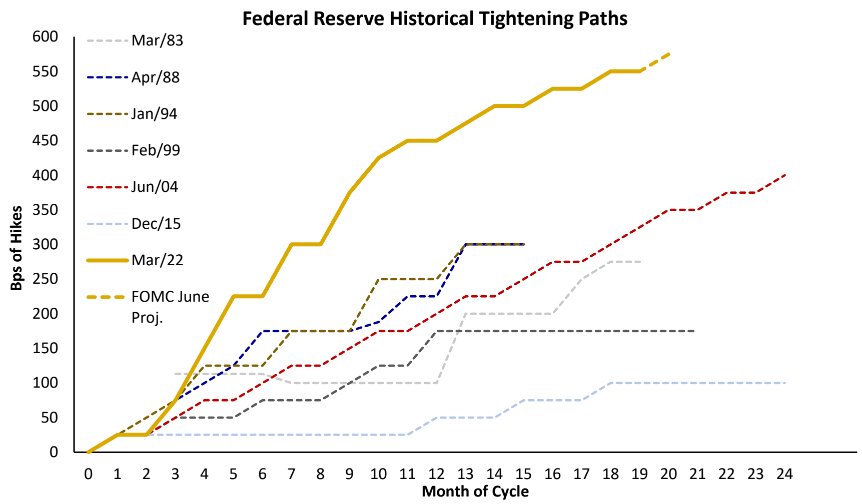
Sign up for September's Making Sense Market Update.

As expected, the Federal Reserve held the federal funds rate steady today at a range of 5.25% to 5.50%. **The FOMC also released updated quarterly summary of economic projections, which continue to indicate one more 0.25% federal funds rate hike this year. Markets do not agree. As of this writing, federal funds futures are pricing a 56% chance the Fed holds the overnight rate steady for the remainder of the year.** The FOMC will be guided by consumer inflation and wage data; upward surprises will increase the likelihood of further Fed action. Looking to next year, the committee's updated estimates removed 0.5% of cuts presented in June's projections. In other words, members are communicating they are in no rush to cut rates and do not expect to reduce the federal funds rate materially next year.

Despite their projections, the FOMC might not hike again this year, but **we believe the Fed will keep rates elevated for an extended period. Inflation remains above the Fed's target, and the FOMC will want past hikes to continue to feed into the economic system before they ease monetary policy.**

FOMC members also increased US economic growth expectations for this year and next, while lowering unemployment forecasts. Clearly, the economy has been more resilient than the Fed expected.

Figure 1: Federal Funds Rate



Source: Strategas Research, Bloomberg

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