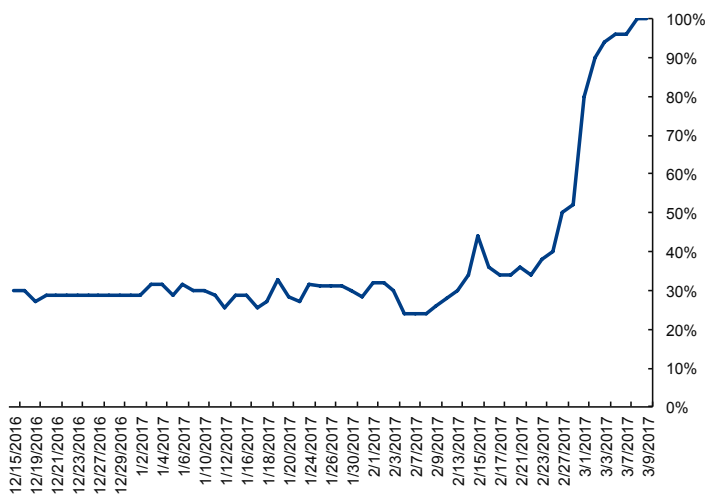


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The Fed Speaks and Markets Listen

Probability of a March Rate Hike



Soucre: Bloomberg

The Federal Open Market Committee (FOMC) voted to raise the Fed Funds rate 25 basis points today, just three months after the last rate increase. This most recent increase represented the Fed’s first “surprise” hike of this cycle. The market had been placing a relatively low probability of an interest rate increase just weeks ago, but through a series of public speaking engagements by several committee members, including Chair Yellen, the FOMC successfully prepared the market for the rate increase.

We continue to believe that we are operating in an environment of significant uncertainty, particularly as it relates to the Trump administration’s policies. In addition, a strong dollar, political uncertainty in Europe and shifting demographics continue to weigh on potential growth. Given these headwinds, we continue to expect the FOMC to move at a slow pace for the balance of the year. We believe that this slow, steady pace over the coming quarters is more important than the timing of the individual hikes. Our base case continues to call for a total of two hikes in 2017 with the odds of three hikes outweighing a single hike.

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