

The COMPASS Chronicle

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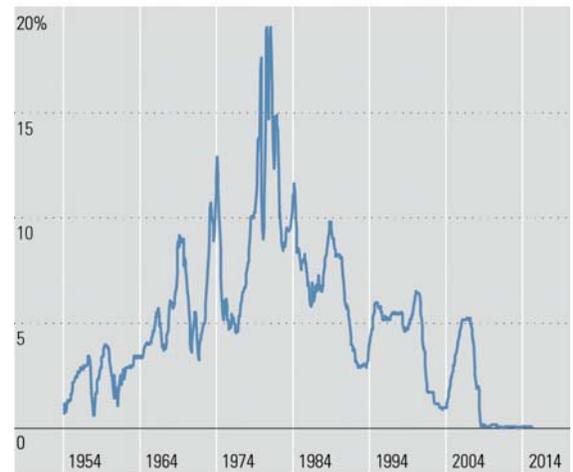
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"Morningstar's Best Client Newsletter"

The Fed Kicks the Can Down the Road

The Federal Reserve decided not to raise rates at its September meeting. While admitting that employment and inflation levels were approaching its goals, the Fed worried that slower international economic activity would potentially depress U.S. growth rates (and employment), while a strong dollar was likely to keep inflation lower for longer. Given the uncertainty, it didn't feel an imminent need to raise rates. On the other hand, their longer-range forecasts show rate increases over the next year, albeit at a pace well below normal cyclical patterns. Current Fed governor forecasts have the Fed Funds rate moving up from 0.12% currently to just 1.4% by the end of 2016, slowly working its way to 3.4% by the end of 2018. In total, that is just barely over a 3% increase in more than three years. The relatively slow pace and small size of the total increase are all well below history.

Effective Federal Funds Rate



Source: Federal Reserve. This article contains certain forward-looking statements which involve known and unknown risks, uncertainties, and other factors that may cause the actual results to differ materially from any future results expressed or implied by those projected statements. Past performance does not guarantee future results.



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