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Weekly Commentary

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Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

Not so negative anymore

Last week was the European Central Bank's (ECB) turn to address inflation. It took more hawkish action than many expected, raising its benchmark rate 50 basis points. That's twice what the many in the markets had expected and shows the urgency for reducing price pressures. This means that for the first time since 2014, interest rates are no longer in negative territory—though at zero, they remain very accommodative. Policymakers are prepared to take additional hikes in the coming months.

The ECB remains significantly behind the U.S. Federal Reserve, who likely will raise its own benchmark rate by 75 basis points in the Federal Open Market Committee meeting this week. That would take the federal funds target range to 2.25-2.50%. Whether the Fed hiking cycle will send the U.S. into a recession is still up in the air. Treasury Secretary Janet Yellen, for one, said she doesn't think there is "broad-based weakness" in the economy in an interview last week. Of course, we won't know the answer for some time.

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