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Weekly Commentary

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Fed might want a mulligan

The US Federal Reserve might want another shot at its recent rate decision. The day after its Federal Open Market Committee meeting last Wednesday, in which it held the federal funds target range at 3.75-4.00%, the US Bureau of Economic Analysis (BEA) released two reports that might have changed that decision.

Fed officials might have anticipated the result of the first, the September Personal Consumption Expenditures (PCE) index. It was slightly hotter than in August. Headline PCE rose 0.5% month-over-month compared to August's 0.3% m/m change; Core PCE remained at a 0.3% m/m rate.

However, monetary policymakers might not have expected the robust third-quarter US GDP figure. The BEA reported it grew 3.4% quarter-over-quarter, its highest rate in a year.

Of course, we will never know if the FOMC would have raised rates had this information been available, but two voters dissented and others have expressed the likely need for more hikes. The futures markets predict the hike to come at the meeting in December.

Views are as of the date above and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.

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