

The NewsLine

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FED

Farewell without surprises

As expected, the Fed's Open Market Committee (FOMC) left the key interest rate unchanged at its first meeting this year, which was also the last one led by Janet Yellen. The central bank is sticking to its chosen line, signaling further gradual adjustments to the monetary policy stance. We assume that the FOMC will pass the first of a total of three rate hikes this year at its March meeting.

The accompanying statement on the monetary policy decision contains only minor changes to the wording compared with the December 2017 version. However, the Fed is now more confident that inflation will pick up this year and approach the 2% target. Against the backdrop of the somewhat higher core inflation rates in recent months, the central bankers see themselves as obviously confirmed in the view that the previously declining rates were caused by temporary special factors.

In the four years under the leadership of Janet Yellen, the Fed has gradually normalised its monetary policy stance. Due to the cautious approach, monetary policy decisions were largely anticipated. This is probably one of the reasons why there was neither significant tension on the financial markets nor marked fluctuations in economic growth. Yellen's successor, Jerome Powell, will for the first time have the opportunity to explain his view of the opportunities and risks for a continued surprise-free monetary policy when presenting the Monetary Policy Report to Congress in mid or late February.

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As always, the evaluations are subject to the following cautionary notes.

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