



## The June Rate Hike

*The Federal Reserve takes the key interest rate north by another quarter point.*

Provided by, North Shore Capital Group, Inc.

On Wednesday morning, futures markets put the odds at 99.6% of a June interest rate increase by the Federal Reserve. Sure enough, the central bank made a move. It raised the key interest rate by 0.25%, taking the target range for the federal funds rate to the 1.00-1.25% range. The Federal Open Market Committee voted 8-1 to hike the rate, with Minneapolis Fed President Neel Kashkari being the lone dissenter. <sup>1,2</sup>

**What were the key takeaways from the latest Fed policy statement?** A few are worth noting. First of all, the central bank did not change its dot-plot forecast for the rest of 2017. It still projects just one more interest rate hike before 2018 arrives. (After the rate move Wednesday, the CME Group's FedWatch Tool put the odds of a September rate increase at 19% and the odds of a December rate increase at 45%.) <sup>2,3</sup>

Second, the Fed announced it would begin to slowly reduce its \$4.5 billion holdings of Treasuries and mortgage-linked securities "this year." Third, it lowered its inflation projection for the balance of 2017 to 1.6% from the prior 1.9%. Fourth, it projected the unemployment rate to decline to 4.3% by December. <sup>2</sup>

**How did the market take all this?** Largely in stride. The only eye-opener was the Fed declaring a start date (of sorts) to trim its huge securities stockpile. Just how does the Fed plan to unwind its balance sheet? It will start by letting about \$6 billion of maturing principal in Treasuries and \$4 billion of maturing mortgage-backed securities and agency debt to run off per month. Those respective limits will rise by \$6 billion and \$4 billion each quarter over a year, until they reach a respective \$30 billion and \$20 billion per month. <sup>4</sup>

Investors and traders can now begin to speculate when the central bank might make its next monetary policy move.

The Rigoni Team, may be reached at, 847-735-9200 or [colleen@northshorecapitalgroup.com](mailto:colleen@northshorecapitalgroup.com)

Check out our website at, [www.northshorecapitalgroup.com](http://www.northshorecapitalgroup.com), Follow us on Twitter, nscg\_inc & "Like" Us on Facebook, North Shore Capital Group, Inc.

***Please feel free to forward this article to family, friends or colleagues.  
If you would like us to add them to our distribution list, please reply with their address.  
We will contact them first and request their permission to add them to our list.***

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment.

North Shore Capital Group, Inc., an independent firm with securities offered through Summit Brokerage Services, Inc. Member FINRA & SIPC, and advisory services offered through Summit Financial Group, Inc., a registered investment advisor, 847-735-9200, 250 E. Illinois Road, Suite 201, Lake Forest, IL 60045.

**Citations.**

- 1 - [tinyurl.com/y8zdq44m](http://tinyurl.com/y8zdq44m) [6/14/17]
- 2 - [marketwatch.com/story/fed-raises-interest-rates-to-reduce-balance-sheet-this-year-2017-06-14](http://marketwatch.com/story/fed-raises-interest-rates-to-reduce-balance-sheet-this-year-2017-06-14) [6/14/17]
- 3 - [cmegroup.com/trading/interest-rates/countdown-to-fomc.html](http://cmegroup.com/trading/interest-rates/countdown-to-fomc.html) [6/14/17]
- 4 - [businessinsider.com/federal-reserve-rate-hike-plan-to-unwind-45-trillion-balance-sheet-2017-6](http://businessinsider.com/federal-reserve-rate-hike-plan-to-unwind-45-trillion-balance-sheet-2017-6) [6/14/17]

If you wish to be removed from our mailing list please [click here](#).