VAN LEEUWEN & COMPANY, LLC

VOLUME1, ISSUE 5, DECEMBER 20, 2016

Federal Reserve Raises Rates

Undoubtedly you have heard the news that the Federal Reserve raised interest rates on December 14th by 0.25%. This decision was unanimous across a 10-member Federal Open Market Committee (FOMC). While the rate hike was historic, as it is only the 2nd time since the recession of 2008, this move did not come as a total surprise as it was largely anticipated by the market. The Fed raised the interest rate for the following reasons:

- The labor market continues to strengthen
- Since mid-year, economic activity has been expanding at a moderate pace
- In recent months, job gains have been improving
- The unemployment rate has declined
- Household spending has been rising moderately
- Inflation has increased

WHAT'S NEXT?

Looking forward to 2017, the Federal Reserve anticipates raising interest rates three times instead of the two times as originally discussed during their meeting last September. While these increases will be gradual over time, and consistent with the Fed's statutory mandate, they will seek to foster maximum employment and price stability, while keeping an inflation target of 2%. This will allow economic activity to expand at a moderate pace and labor market conditions to continue to strengthen further.

For the U.S. stock market this rate hike is positive. Historically, stocks have done well during these periods of rising, but low interest rates, as higher rates tend to be accompanied by improving expectations for economic growth.

The Federal Open Market Committee (FOMC) will continue to closely monitor inflation indicators and global economic and financial developments.

Historical performance is no guarantee of future results. The economic forecasts set forth may not develop as predicted.