

The Fed Hikes Rates 4 Times In 2023 - Bond Market Overview

The Federal Reserve raised rates eleven times between 2023 and 2022, increasing the Fed Funds rate from 0% at the beginning of 2022 to 5.5% at the end of 2023.

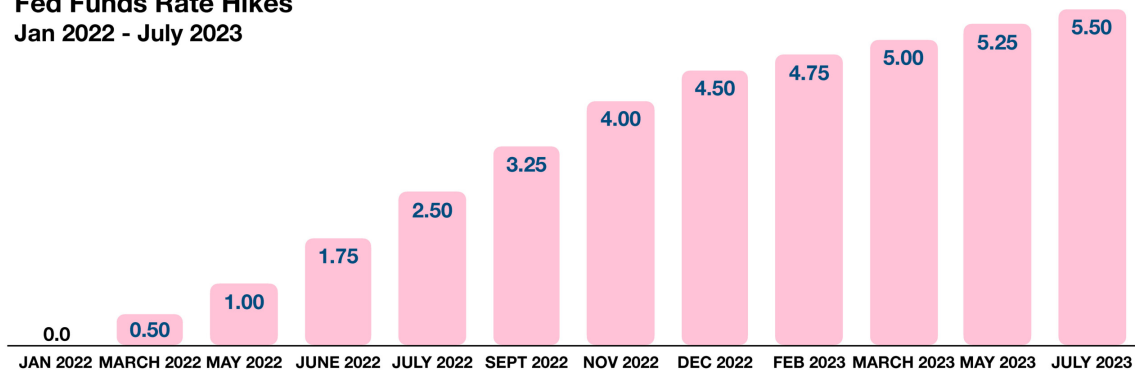
Expectations are that the Fed will begin easing rates in 2024, reversing its tightening monetary policy. Lower consumer and mortgage rates are expected to materialize as the Fed eases.

Fed influenced rate reductions among other central banks globally is creating a lower rate scenario in 2024. The European Central Bank (ECB) as well as the central banks of Canada and England signaled a continued easing of rate policy in 2024.

A unique dynamic started to occur in the 4th quarter of 2023, with Treasury yields and commodity prices falling in tandem. Some economists perceive the dynamic as deflationary in nature, adding to an eventual lower rate environment. Deteriorating inflation concerns have also led the Fed to project possible lower rates as the year progresses. The yield on the 10 year Treasury bond ended 2023 at 3.8%, down from 4.95% in October.

Sources: Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/FEDFUNDS>

Fed Funds Rate Hikes Jan 2022 - July 2023



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