Fox Financial

Fed Lifts Rates For The 10th Time...No Sign Of Pause.

REUTERS

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By Tim Ahmann

WASHINGTON (Reuters) - The Federal Reserve raised a key U.S. interest rate a quarter-percentage point on Tuesday, offering no sign after a 10th straight rise that it was ready to end its campaign of modest increases to curb inflation.

The U.S. central bank's policy-setting Federal Open Market Committee unanimously voted to lift the benchmark federal funds rate, which can sway borrowing costs throughout the economy, to a four-year high of 3.5 percent.

The panel said rates are still low enough to lend support to the economy and repeated that it expected to continue to remove monetary stimulus at a "measured" pace, suggesting further quarter-point moves ahead.

In an effort to head off inflation risks in a growing economy, the Fed began in June 2004 to push up the federal funds rate that banks charge each other for overnight loans from a 1958 low of 1 percent

The fed funds rate has risen 2.5 percentage points over that period and economists expect it to hit 4 percent or higher by year end.

"Aggregate spending, despite high energy prices, appears to have strengthened since late winter, and labor market conditions continue to improve gradually," the Fed said in a statement outlining its decision.

"Core inflation has been relatively low in recent months and longer-term inflation expectations remain well contained, but pressures on inflation have stayed elevated," it added.

The rate rise comes after a slew of data showing the U.S. economy's pulse quickening despite record energy prices and climbing short-term borrowing costs.

U.S. gross domestic product grew at a solid 3.4 percent rate in the second quarter. While that was a touch slower than the first-quarter pace, economists said it was particularly impressive in light of a big fall in business inventories.

Forecasters expect U.S. producers to ramp up output during the rest of the year, ensuring robust growth, after American companies met a surge in demand by selling down inventories.

Vigorous auto sales, which soared to their second-highest level on record last month, solid job growth and signs of a pick-up in manufacturing burnished a rosy economic picture.

"The economy remains very solid and it appears likely to expand at a pace of 4-1/2 percent to 5 percent in the second half of the year," said Lynn Reaser, chief economist at Banc of America Capital Management in Boston.

In its post-meeting statement, the Fed said upside and downside risks to its twin goals of sustainable growth and price stability remained "roughly equal."

The policy committee also reiterated that data would drive its future decisions, even though it saw a gradual course of rate rises as the most likely outcome.

The Fed also lifted the largely symbolic discount rate a matching quarter-point to 4.5 percent.

Long-term interest rates, which have long remained defiantly low in the face of the Fed's increases and which have helped stimulate the housing market, are at last rising on signs of economic strength.

If the trend persists, economists say consumers are likely to feel the pinch.

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Do you, or does someone you know need some cash? Do you, or does someone you know need lower payments? Is your interest rate above 6%? Do you, or does someone you know have an adjustable mortgage...NOW would be a PERFECT time to "roll into" a 30 year fixed loan!

Please do yourself, or someone you know a huge favor and have them call me. More importantly, if you know of anyone who does not yet own a home...please, please, please refer them to me.

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