



TD Economics

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Data Release: Fed minutes confirm that rate hikes are coming soon

- The minutes from the FOMC's November meeting showed a majority of participants saw the economic outlook as improving and inflation moving toward the Fed's target.
- Consequently, "participants generally agreed that the case for increasing the target range for the federal funds rate had continued to strengthen."
- While participants agreed that the labor market had continued to improve, there was some discussion around the increase in the participation rate and what it may imply for the level of labor market slack.

Key Implications

- The Federal Open Market Committee left rates on hold in its November meeting, but telegraphed that rate hikes were likely not far away.
- Having taken place prior to the Presidential election, these minutes have a bit of a dated feel. However, they confirm the narrative that the Fed is confident in ongoing economic improvement, and ready to raise its key lending rate at its next meeting in December.
- A key element to listen for from the Federal Reserve is how it will respond to the change in financial conditions since the election. While the sell-off in bonds and rally in the U.S. dollar is due to increased expectations for fiscal stimulus, the timing and scope of these actions is still highly uncertain. In the meantime, interest- and exchange-rate sensitive sectors of the economy like housing and trade will take a hit, suggesting some downside risk to economic growth.

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