Retirement News Highlights

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Fed approves quarter-point rate increase, its 10th straight hike

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Federal Reserve officials on Wednesday approved a third consecutive quarter-point interest rate hike as the central bank navigates elevated inflation and turmoil in the banking system.

The Federal Open Market Committee raised the federal funds rate to a range of 5% to 5.25% following its two-day meeting that concluded Wednesday. The quarter-point increase marks the committee's 10th straight rate hike dating back to March 2022.

Although inflation has cooled in recent months, it remains stubbornly high. The consumer price index was up 5% in March from a year earlier, down from 6% year-over-year in February, according to data from the Bureau of Labor Statistics released April 12. The annualized CPI figure has dropped steadily since June, when it was at 9.1%, a 40-year high.

Though it did not release updated projections Wednesday, at the committee's last meeting in March, its median projection for the federal funds rate at the end of 2023 remained at 5.1%, the same projection as in December. By the end of 2024, the committee's median projection moved to 4.3%, up slightly from 4.1% in December.

Moreover, it's median projection in March for personal consumption expenditures inflation by the end of 2023 was 3.3%, up from 3.1% in December. The 12-month change in total PCE prices slowed to 4.2% in March from its peak of 7% in June.

Since the collapse of Silicon Valley Bank in March — which the Fed said in an April 28 report was due to a "textbook case of mismanagement," coupled with central bank supervisors failing to take forceful enough action — the nation's banking system has faced headwinds. On Monday, J.P. Morgan Chase & Co. announced its purchase of beleaguered First Republic Bank, whose recent free fall included an injection of $30 billion from 11 U.S. banks that delayed its collapse.

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