

Fed Meeting 26 September

The Fed is widely expected to announce its third 25-basis point rate hike of the year this month, which will bring target interest rates to a range of 2.00-2.25%. Interest rates are currently at their highest levels since 2008. While this hike has been widely expected throughout the year, markets have been increasingly pricing in a fourth in December. Therefore, it will be the updated economic projections and forward guidance, more than whether the Fed hikes this month, that drive the dollar's movements.

KEY POINTS TO WATCH

RISKS: To what extent are trade tensions a serious economic threat in the Fed's outlook.

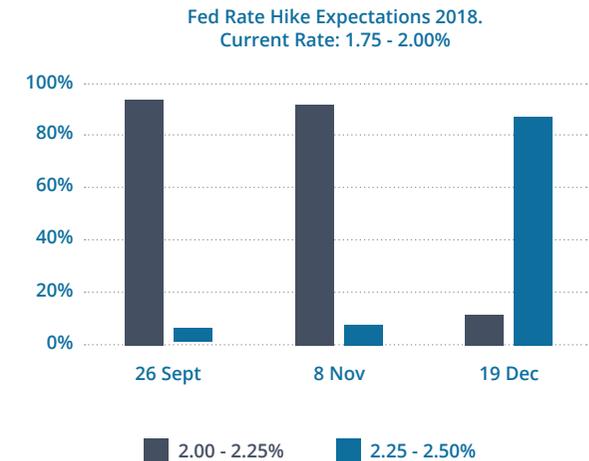
OVERALL TONE: Markets will interpret the tone used in the statement and subsequent press conference for signs of confidence in the economy and any language shifts that give hints at the future path of policy.

RATE PROJECTION: (known as the dot plot): Markets are currently pricing in another rate hike in December and will look at the Fed's latest median interest rate projections over the coming months. The hike this month is already priced into the markets, so to see the dollar strengthen we'll need the Fed to take a hawkish stance in 2019.

GBP/USD 6 MONTHS



This chart demonstrates the probability that the Fed will hold or raise interest rates at its next three meetings, according to the CME FedWatch Tool on 20.09.2018.



Next Fed meeting dates: 8 Nov, 19 Dec, 20 Jan

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