

**\*\*Flash Report – FOMC increases Fed Funds 25 bps to 5.25-5.5%\*\***

**Takeaway:**

This afternoon, the FOMC unanimously voted to raise interest rates by 25 basis points, bringing the benchmark federal funds rate to 5.25% to 5.5%, the highest level in 22 years.

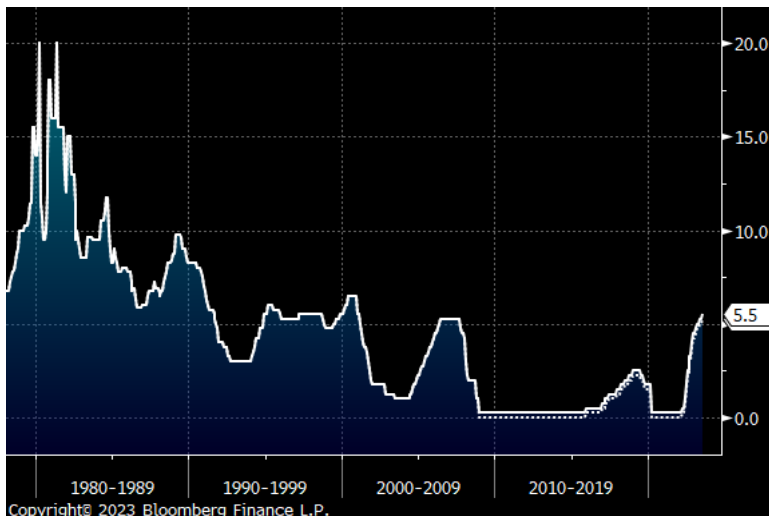
**Notes:**

This move, the 11th increase since March 2022, was broadcast well and anticipated by the market as they continue their efforts to tame inflation. The Fed's chair, Jerome Powell, stated that future rate increases will be dependent on incoming data, and the decision is part of their attempt to achieve a "soft landing" for the economy. The most notable change in the statement was the shift from describing economic growth as "modest" to "moderate," indicating some improvement in the economic outlook. Powell also expressed optimism about inflation moving in a better direction but did note that they do not expect Core CPI readings to be in line with their target of 2% until 2025. He also noted the positive signs in the cooling but resilient of the labor market, noting that the independent FED staff economic model no longer forecasts a recession. Given the improved outlook on economic growth, Powell did also hint that further rate hikes remain on the table.

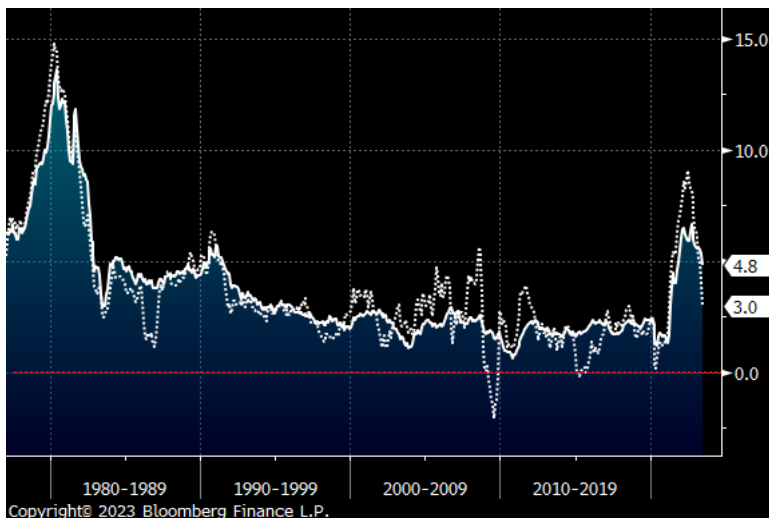
Looking ahead, the Federal Reserve clearly intends to keep all options open, with two more Consumer Price Index (CPI) prints and Labor market reports to be considered before the next rate decision. Prior to this hike, the market had anticipated the current level to be the peak, but the expectation for a hike has been pushed out from December to March in the last two weeks.

What does this mean for steel? The recent interest rate hike and Federal Reserve statements indicate that relief from elevated interest rates is not expected, soon. This has already affected the conventional practice of holding extended inventory due to higher carry costs, leading to decades low inventory (ex. COVID). While lead times are currently neutral, any increase in demand could lead to substantial price risk and volatility. To succeed in this evolving economic environment, staying informed, being prepared, and making necessary adjustments for steel-related operations is vital. Flack Metal Bank can help.

Fed Funds Upper (solid) and Lower Bound (dotted)



June Headline (dotted) and Core (solid) CPI



**ARE YOU READY TO GAIN CERTAINTY IN YOUR METALS SUPPLY AND PRICE?**

**HOW IT WORKS**

