

Economic Alert iQ



Wednesday 15th July 2015 – 10:50 am

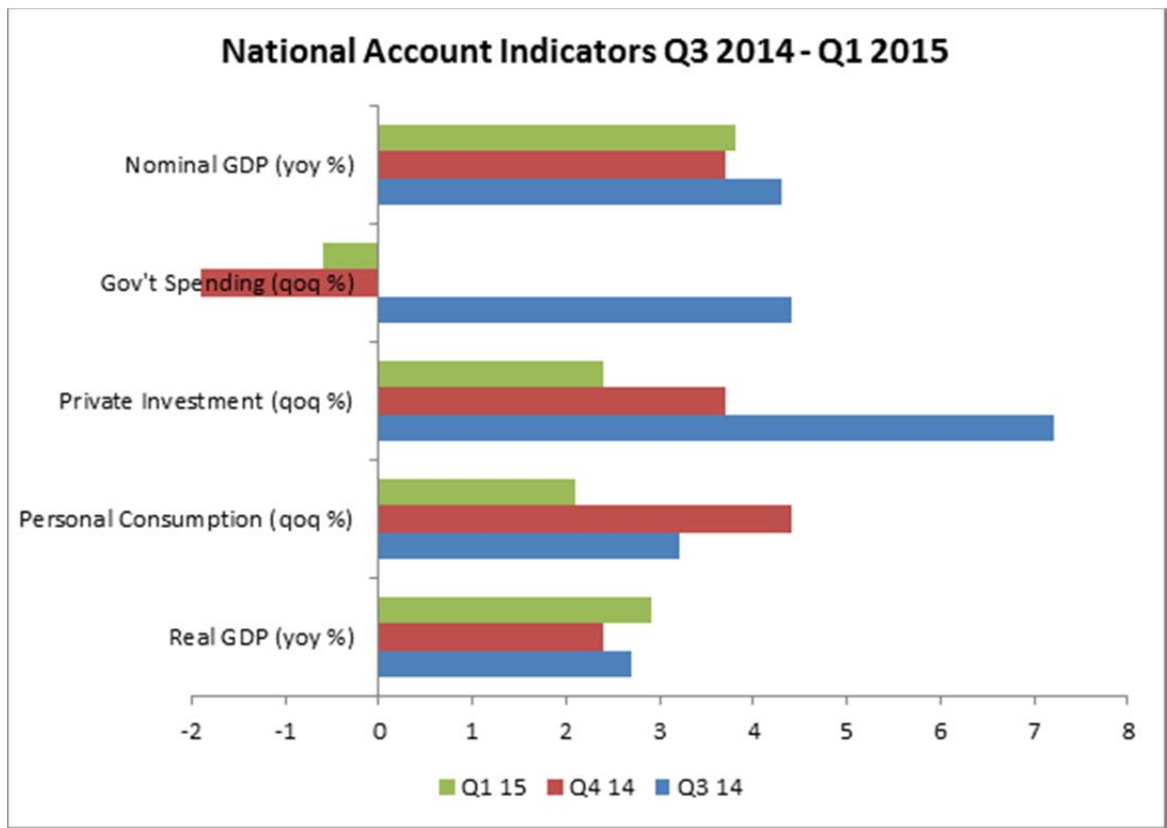
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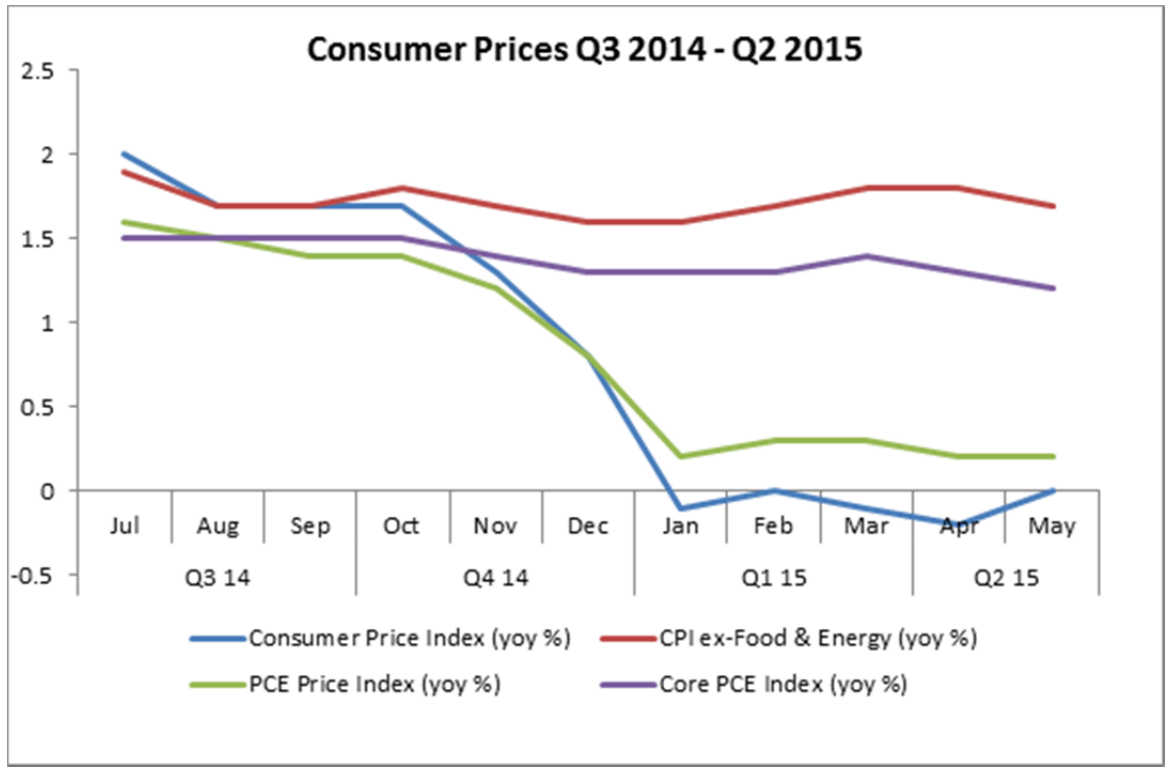
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Yellen: Rate hike appropriate this year as economy improves.

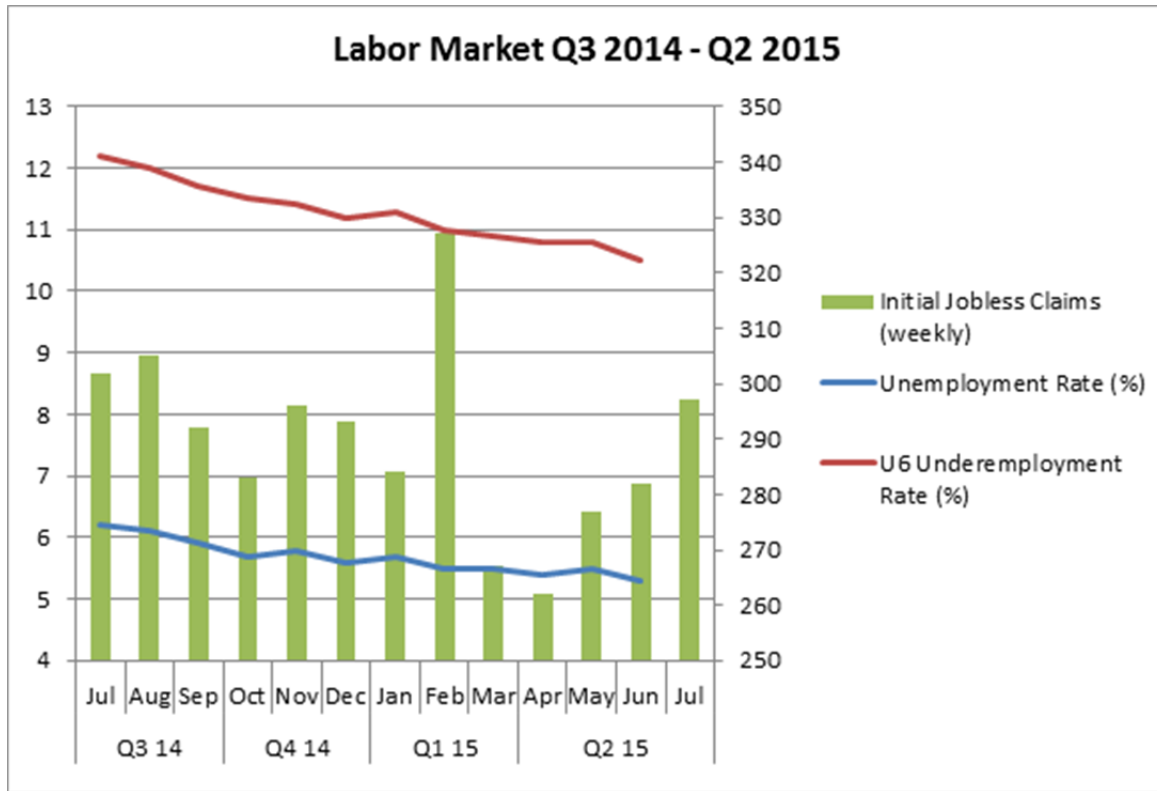
- Yellen’s remarks were consistent with both her speech and statement at the June press conference. She continued to note that rate hikes will be appropriate “before year end”, subject to uncertainty about economic conditions.
- Yellen voiced optimism that inflation would continue to inch upward. The Fed’s preferred gauge of inflation has lingered below its 2% target for more than three years but as transitory factors from a harsh winter dissipate, inflation is expected to gradually increase.
- On the growth outlook, according to Yellen “prospects are favorable for further improvement in the U.S. labor market and the economy more broadly.” The Fed Chair admitted there were some indications of slack in the labor market but it is “approaching full strength” and unemployment should fall to near 5% by the end of the year.
- Unemployment has now been cut by almost 50% and monthly jobs growth has averaged 194,000 for the year, reinforcing the labor market resilience.
- Yellen added that the expected path of interest rates would matter most for the economy, as she reiterated that hikes were likely to happen at a gradual pace.



Source : Bloomberg, First Citizens Research & Analytics



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