
Was that a zig (or a zag) on interest rate policy?

By Editorial Staff Thu, Jun 9, 2016

"I know market participants really want to know exactly what's going to happen," Fed chair Janet Yellen said in a speech in Philadelphia this week. "There is, as I said about 18 times, no preset plan."

As if anyone still has the patience to follow her zigs and zags, the Federal Reserve chairwoman, Janet L. Yellen, is no longer offering any hint that the Fed will raise short-term interest rates at its meeting this month, the *New York Times* reported this week.

The likelihood of a rate increase has therefore been widely discounted. A few weeks ago, before the recent report on weak job growth in May, Yellen suggested that rates might go up slightly this month. Any future hike is now considered more likely to occur in the second half of 2016. "Fed officials now say they are still thinking seriously about raising rates in July or September," the *Times* said.

"Investors have all but written off the chances the Fed will increase rates at its next meeting on June 14 and 15, and Ms. Yellen did not try to change their minds" in her speech this week at the World Affairs Council in Philadelphia, the *Times* said. The speech was the last public appearance by a Fed official before the June meeting.

But Yellen did say that she still expects economic growth to accelerate — and she still expects to raise rates at some point. "If incoming data are consistent with labor market conditions strengthening and inflation making progress toward our 2 percent objective, as I expect, further gradual increases in the federal funds rate are likely to be appropriate," she was quote as saying.

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