# Interest rates stay put, but door open for December hike

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**WASHINGTON** The Federal Reserve held its key interest rate steady Wednesday and left the door open to a December rate hike amid an improving economy.

In a statement after a two-day meeting, the Fed said it decided to keep its federal funds rate at a historically low 0.4%.

The Fed said "the case for a rate increase strengthened," but policymakers decided, "for the time being, to wait for some further evidence of continued progress toward its objectives."

That largely mirrored the September statement, except the Fed added that only "some" advances are needed, suggesting a rate hike may be at hand.

The statement added that "inflation has increased somewhat since earlier this year" and removed its previous assertion that "inflation is expected to remain low in the near term."

The Fed's preferred measure of annual inflation, which excludes volatile food and energy costs, is still below its 2% annual target, but it has edged up steadily this year, reaching 1.7% recently. That could pave the way for a rate hike as soon as December.

**"Absent substantial shocks, (the Federal Reserve is) set on December."**

**Drew Matus,** UBS economist

Stocks, already on pace for a seventh day of losses, fell further after the statement but shortly began staging a recovery.

Some economists said the Fed was unlikely to send an explicit signal of a December rate increase similar to a reference in October 2015 to a possible hike at the "next meeting."

With markets already pricing in an increase anyway, Fed officials would prefer not to close off their options, economists said.

"Absent substantial shocks, they're set on December," says UBS economist Drew Matus.

Among potential shocks are a contested presidential election next week or a victory by Republican Donald Trump that roils markets, economist Paul Ashworth of Capital Economics says.

After Wednesday's statement was released, fed fund futures reckoned there was a 72% chance the Fed will lift its benchmark rate at a Dec. 13-14 meeting up from 68% a day earlier.

It was unlikely the Fed would act just days before the election, potentially disrupting markets and coloring perceptions of the economy and presidential candidates Trump and Hillary Clinton.

The Fed has stood pat since raising its federal funds rate in December for the first time in nine years, citing factors such as China's economic slowdown, the United Kingdom's Brexit vote, volatile markets and a spring slump in U.S. job growth.