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What to watch

Odds of Fed rate hike in December spike

Adam Shell
@adamshell
USA TODAY

Not only are long-term interest rates rising since Donald Trump's surprise election win, so are odds of a Federal Reserve hike of short-term rates at the central bank's final meeting of the year.

So-called Trump-onomics is a big reason why borrowing costs are on the rise. Trump's plans for jump-starting economic growth by boosting fiscal stimulus, including tax cuts for individuals and businesses, as well as increasing spending on infrastructure to repair the nation's roads and bridges, is seen as causing a rise in inflation and resulting in even higher budget deficits for the U.S.

As a result, this government stimulus coming down the pike makes bonds a less attractive investment as do assets that benefit from a faster-growing economy.

Futures markets are pricing in more than a nine in 10 chance of the Fed hiking its key short-term rate at its last meeting of 2016 in mid-December, which would mark its first hike since December 2015. "Fed rate hike odds are nearing 100% for December," notes Paul Hickey, co-founder of Bespoke Investment Group.

Investors have also sold off long-term U.S. government bonds since Election Day, with the yield on the 10-year Treasury rising to its highest level of the year, from 1.857% to as high as 2.313%. The sell-off in bonds has cooled a bit; the 10-year is now yielding 2.22%.

With a Fed hike all but assured for December, Wall Street's focus now shifts to what the Fed will do next year if the hoped-for growth recovery due to Trump-onomics comes to fruition.