

THE FED RAISES INTEREST RATES AGAIN: WHAT YOU SHOULD KNOW



It's possibly the least surprising piece of financial news this quarter. And that's by design.

In the last week of September the Federal Open Market Committee (FOMC), the monetary policymaking body of the Federal Reserve System, announced that they would be raising their target rate to between 2.00% and 2.25%. This is 0.25% above their previous goal set in June.¹

The target rate is the interest charged by one depository institution on an overnight sale of balances at the Federal Reserve to another depository institution.²In other words, it's what banks can charge each other for short-term loans.

This basic "cost of money" for financial institutions is the basis by which nearly all loan rates are set, including government bills, notes and bonds. So the FOMC is extremely careful that a change in the target rate does not come as a surprise. And the official change seemed to go as planned with the fixed income markets having a minimal immediate response to the new rate.³

What A Higher Target Interest Rate Means

As you might expect, one result will be that financing for businesses and individuals is going to get slightly more expensive than it was prior to the most recent increase.

According to *USA Today*, "The Fed's rate hike is expected to ripple through the economy, lifting borrowing costs for variable-rate consumer loans such as credit cards, home equity lines of credit, autos and adjustable-rate mortgages."

A positive result will be a modest rise in the interest banks pay on savings accounts and CDs. For consumers, this should be further incentive to pay off personal debt and get more aggressive about saving.

For investors, the rate hike is expected to raise bond yields. *Marketwatch* reports that this increase in the target rate with the clear expectation of more to come in the future has already caused a modest rise in the 10-year Treasury note.⁴

But what investors and financial experts have been looking at even more closely than the 0.25% adjustment is the Fed Chairman's accompanying remarks. Jerome Powell, who succeeded Janet Yellen as FOMC Chair, said, "Our economy is strong, growth is running at a healthy clip, unemployment is low. This is a good moment for the U.S. economy."

After the recession of 2008 the Fed used extremely low interest rates to stimulate the economy back to positive territory. Those extraordinarily low interest rates remained well below the historical average for several years. Now with healthy, sustained growth and low inflation, the committee will continue to raise rates until they reach a level where they are considered neither a stimulus nor a dampener.

In its official statement, the Fed says that it plans "further gradual increases" in its benchmark rate, and it maintained its forecast for another rate hike in 2018 and as many as perhaps three more in 2019. If they're right, this means continued good news for investors who rely on healthy economies to drive the engine of inflation-beating returns over the long term.

Of course optimism even by the FOMC is no guarantee of future growth. So while you're positioned and hopeful to take advantage of continued market expansion, also be ready to withstand the inevitable volatility that can occur at any time. We are here to help you understand how interest rate changes can impact your investment portfolio.

Have a great weekend!

Source: Efficient Advisors

Golf Tip of the Week



How to Fix the Biggest Putting Mistake

First of all, stop listening to the advice of the friends or golf experts who tell you to put topspin on your ball to increase accuracy. It doesn't work.

Here's how to make the ball plop into the hole as planned, says professional golfer Dave Stockton.

Concentrate on keeping the putterhead low through impact. The putterhead will naturally rise anyway. So, focusing on a low strike will produce a solid impact on the ball.

The center of the putter carries the most impact for a good putt. By connecting the center of the putterhead with the ball, you have more control of the movement and produce more distance.

Tip adapted from GolfDigest²¹

Recipe of the Week

Tomato Panzanella



Serves 6

Ingredients:

½ loaf sourdough bread, preferably stale (about 1 pound)
2 large cloves garlic
6 anchovy fillets
3 cups basil
½ cup olive oil, plus more for serving
2 tablespoons sherry vinegar
Kosher salt
Pepper
2 pounds heirloom tomatoes (in various colors and sizes)
4 tablespoons unsalted butter

Directions

1. Preheat oven to 400°F.
2. Remove crust from bread and tear bread into large pieces.
3. Put garlic, anchovies, 1½ cups basil, and ¼ cup olive oil in food processor; finely chop.
4. Add vinegar and ¼ teaspoon salt; press pulse to create a thick dressing.
5. Slice tomatoes into wedges and chunks. Mix lightly with dressing. Let set for 30 minutes at room temperature.
6. At the same time, melt butter with the remaining ¼ cup oil in a small saucepan.
7. Gently shake bread and butter mixture together to coat.
8. Arrange in single layers on a baking sheet for roasting.

9. Turn the bread regularly until it is light brown, crispy, and slightly chewy on the inside, 15-20 minutes.
10. Gently add and mix in croutons with tomatoes. Carefully incorporate the rest of the basil into the mix by tearing leaves into smaller pieces.
11. Drizzle with additional oil and add fresh cracked pepper.

Recipe adapted from Good Housekeeping¹⁹

Health Tip of the Week



No More Stretching the Truth About Stretching

You hear the rumors: You must stretch; never stretch; hold stretches; don't bounce; do bounce; twist yourself into a pretzel.

So, what's the scoop on stretching?

First off, the traditional view:

- You have to hold your stretch to get the benefit.
- Don't bounce. You'll pull something.
- If you don't stretch before a workout, you're going to hurt yourself.

Not quite.

Now that we've thrown conventional wisdom out the window, what's the real deal?

According to the American College of Sports Medicine, stretching is good, but not mandatory. Stretching helps to keep older joints and muscles—particularly the hips and hamstrings—healthy and strong.

ACSM experts say you should stretch each of your major muscle groups for 60 seconds per exercise and do the stretches twice a week.

What about holding a stretch?

Stretching and holding for 15 seconds or so is called a static stretch, which if done correctly can be helpful.

Dynamic stretches, however, are just as helpful. With these types of stretches, you move your various muscle groups through the complete ranges of motion.

What about stretching before exercise? Studies show that it might not be such a good idea for peak performance. Static stretching, in fact, may weaken muscles before a routine. A gentle warm up may provide the best benefit.

How about after-exercise stretching? Static stretches might fit well at the end of your workouts when you have better circulation and your limbs and muscles are limber.

Stretching has benefits, but it would be stretching the truth to suggest they are absolutely necessary.

Tips adapted from WebMD²²

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²¹ <https://www.golfdigest.com/story/the-putting-mistake-youre-making-and-how-to-fix-it>

¹⁹ <https://www.goodhousekeeping.com/food-recipes/healthy/a22749964/tomato-panzanella-recipe/>

²² <https://www.webmd.com/fitness-exercise/features/how-to-stretch#1>