

- Fed maintains dovish path on interest rates in 2019
- Future unpredictable for market, investors amid “unprecedented” Fed actions

Investors face uncertain 2019

January 31, 2019

U.S. Federal Reserve Chairman Jerome Powell emphasized patience in raising interest rates following the Federal Open Market Committee’s (FOMC) Jan. 29-30 meeting. In a statement, the Fed voted unanimously to hold its policy rate between 2.25 percent and 2.5 percent. Eagle Asset Management’s Fixed Income Team believes this means rate hikes are on pause and we are not likely to see another interest rate increase in 2019 based on the current outlook.

It has been the outlook of the Eagle Fixed Income Team for the past few months that economic growth and inflation likely peaked in the second and third quarters of 2018. From that point of view, the downturn in the fourth quarter and subsequent Fed action seem appropriate.

Powell mentioned “cross-currents” – for example, weakness in global markets – increasing risk and lowering the likelihood of interest rate increases. The Fed chair previously sent markets into a spin with hawkish comments on interest rates in early October. At its December meeting, the FOMC raised interest rates a quarter-point as expected, but softened its rate hike outlook for 2019.

A separate statement addressed the Fed’s balance sheet. At December’s meeting, Powell described the Fed’s program to reduce bond holdings on its balance sheet as “on autopilot.” In this statement, the FOMC made clear that officials are willing to reconsider the program, if conditions warrant.

“Today’s statements continue to highlight the unprecedented nature of the Fed’s policies over the past decade,” said James Camp, CFA, Managing Director of Strategic Income and Fixed Income at Eagle. “The Fed is still noncommittal regarding the details of the balance sheet normalization process. In all, the emphasis on patience toward future interest rate hikes and the statement regarding the balance sheet are starkly leaning more and more dovish.”

Powell was adamant that whatever the next steps may be, they will be dependent on data. The recent five-week shutdown of the federal government has delayed reports on some key economic indicators. Powell also pushed back on the idea that the Fed had “caved” to criticism from President Donald Trump over the raising of interest rates, stating that the Fed doesn’t make decisions based on politics.

“ Today’s statements continue to highlight the unprecedented nature of the Fed’s policies over the past decade ”

James Camp, CFA

Managing Director of Strategic Income and Fixed Income
Eagle Asset Management

About Carillon Tower Advisers

Carillon Tower Advisers is a global asset-management company that combines the exceptional insight and agility of individual investment teams with the strength and stability of a full-service firm. Carillon Tower believes providing a lineup of institutional-class portfolio managers – spanning a wide range of disciplines and investing vehicles – is the best way to help investors seek their long-term financial goals.

About Eagle Asset Management

Eagle Asset Management, an affiliate of Carillon Tower Advisers, provides a broad array of fundamental equity and fixed-income strategies designed to meet the long-term goals of institutional and individual investors. Eagle's multiple independent investment teams have the autonomy to pursue investment decisions guided by their individual philosophies and strategies.

Disclosures

Past performance does not guarantee future results. This information is intended solely to report on investment strategies as reported by Eagle Asset Management. Opinions and estimates offered constitute Eagle's judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. The Index is referred to for information purposes only; the composition of each Index is different from the composition of the accounts managed by the investment manager. An index is unmanaged and has no expenses, and it is not possible to invest directly in an index. Investing involves risk, including the possible loss of principal.

This information is not intended to serve as investment, tax, legal or accounting advice. It should not be considered a recommendation to engage in or refrain from taking a particular course of action and is not an endorsement, recommendation or sponsorship of any securities, services or other investment property. It has been prepared for informational purposes only and you should consult your own investment, tax, legal and/or accounting advisors before engaging in any transaction. The opinions expressed are those of the author(s) and do not necessarily reflect the views of the firm, its clients or any of its or their respective affiliates. Views expressed are as of the date indicated and may change based on market and other conditions. The accuracy of the content and its relevance to your particular circumstances is not guaranteed.

The Dow Jones U.S. Total Stock Market Index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure all U.S. equity issues with readily available prices.

Learn more about our fixed income investment solutions at eagleasset.com