

# THE BUZZ AROUND U.S. INTEREST RATES

## How Have Markets Responded in the Past?



## The Next Rate Hike: Jeer or Cheer?

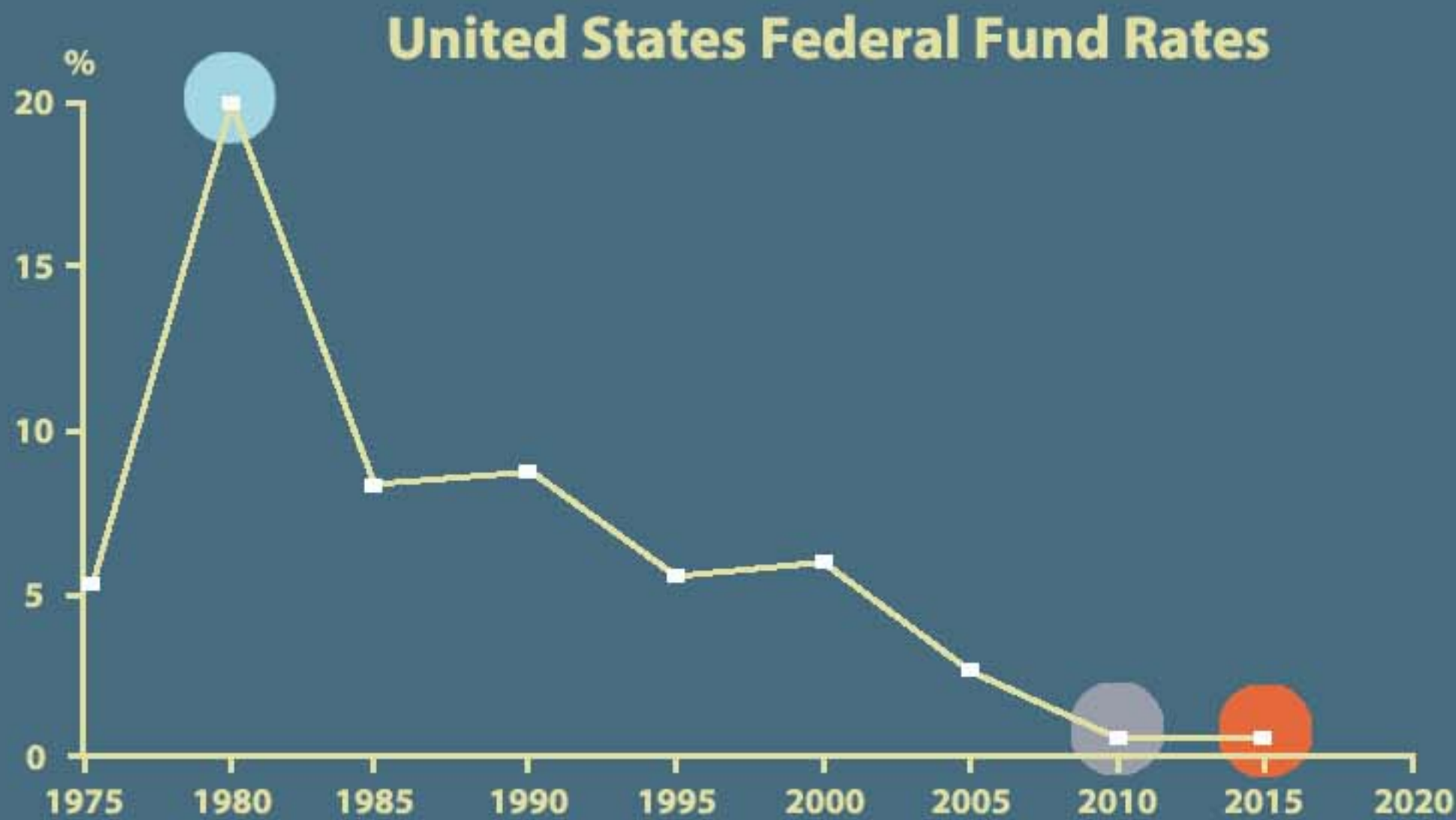
### Jeer

Heftier borrowing costs for companies and consumers could be a drag on the economy. Markets generally do not like that.

### Cheer

But a hike could also show that the US economy is back on track and that the Fed is confident enough to remove its crutches

## Interest Rates Over the Years



To combat double digit inflation and residual effects of the 1980 energy crisis, interest rates were hiked by the Fed.

**20% INTEREST**



The US economy was hit hard by the crash in the housing market and banking sector from 2007 - 2009.

**EFFECTIVELY 0% INTEREST**

The Fed reduced interest rates so that consumers and businesses could continue to spend and boost the economy.



## WHAT IS GOING TO HAPPEN NEXT

The Fed increased rates in Dec 2015 for the first time since 2006. 4 rate hikes were announced in 2016 but none have materialised yet.

## Pencil It In



1 - 2 November '16  
13 - 14 December '16

They are the meeting dates of the Federal Open Market Committee (FOMC).

## 2 Sectors To Watch



### Financial Institutions

The core business of financial institutions revolves around loans and their performance varies with interest rate levels. How will they perform this timoround?



### Property Sector

The Fed will increase interest rates when the economy is healthy enough. Will this healthier economy buoy the housing market or will higher mortgage rates make things worse? How will property developers and REITs fare?

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