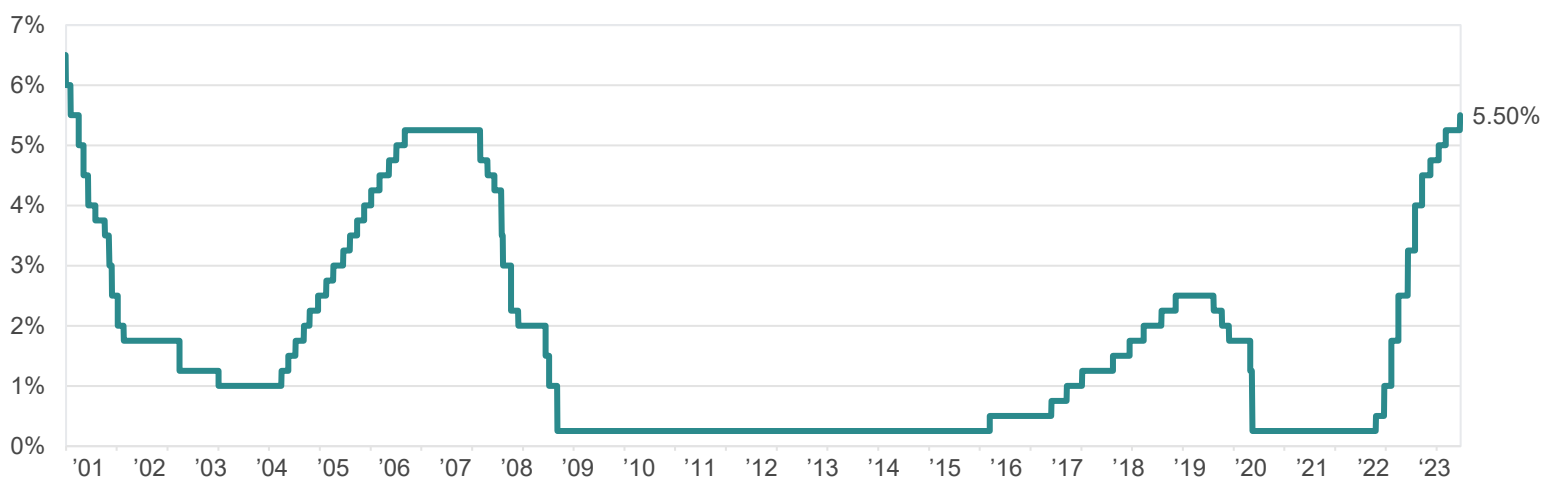


Fed Raises Fed Funds to 22-Year High

July 26, 2023

The Federal Reserve (Fed), in a highly anticipated move, raised rates by 25 basis points today to a range of 5.25%-5.50%. This is the highest level since 2001 the eleventh increase since March of 2022. The statement was largely unchanged from last months but of note was an upgrade of economic growth from “modest” to “moderate”. Fed Chair Jerome Powell also reiterated the committee’s goal of bringing down inflation to the 2.0% mandate but acknowledged that there still may be a lag in the data. “The committee will continue to assess additional information and its implications for monetary policy,” policymakers said. “In determining the extent of additional policy firming that may be appropriate to return inflation to 2.0% over time, the committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments.”

Federal Funds Target Range: Upper Limit



Our View

The Fed has left the door open for additional rate hikes if data warrants. The next meeting is not until September 20th and allows the Fed time to weigh incoming data, particularly wage inflation and job growth. Futures are now pricing another hike by the Fed in 2023 at nearly a coin flip in our opinion. Regardless of whether the Fed raises rates again this year, we believe the market remains too dovish on rate cuts beginning in 2024. We reiterate our higher for longer stance. Duration positioning remains neutral as we expect the curve to remain inverted and yields to be range bound.

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Economic charts are provided for illustrative purposes only. The information provided herein is subject to market conditions and is therefore expected to fluctuate.

The views expressed represent the opinions of Sterling Capital Management LLC, and not those of Truist Financial Corporation or its executives. The stated opinions are for general information only and are educational in nature. These opinions are not meant to be predictions or an offer of individual or personalized investment advice. They are not intended as an offer or solicitation with respect to the purchase or sale of any security. This information and these opinions are subject to change without notice. All opinions and information herein have been obtained or derived from sources believed to be reliable. Sterling Capital Management LLC does not assume liability for any loss which may result from the reliance by any person upon such information or opinions.

Investment advisory services are available through Sterling Capital Management LLC, an investment adviser registered with the U.S. Securities & Exchange Commission and an independently-operated subsidiary of Truist Financial Corporation. Sterling Capital Management LLC manages customized investment portfolios, provides asset allocation analysis and offers other investment-related services to affluent individuals and businesses. Securities and other investments held in investment management or investment advisory accounts at Sterling Capital Management LLC are not deposits or other obligations of Truist Financial Corporation, Truist Bank or any affiliate, are not guaranteed by Truist Bank or any other bank, are not insured by the FDIC or any other federal government agency, and are subject to investment risk, including possible loss of principal invested.