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Taxable Money Market Commentary

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At the June 14 Federal Open Market Committee (FOMC) meeting, the Federal Reserve (Fed) held the federal funds target rate steady at 5.00% – 5.25%. This marks the first pause since the Fed began raising interest rates in March 2022. In its post-meeting statement, the Committee communicated that holding the target range steady "allows the Committee to assess additional information and its implications for monetary policy." The Fed left the door open for further hikes by continuing to state that additional policy firming may be appropriate to return inflation to 2% over time. The FOMC will continue to weigh policy lags and the uncertain costs of continued credit tightening in their upcoming decisions. In the Fed's Summary of Economic Projections (SEP), the updated dot plot indicates a median federal funds target for year-end 2023 at 5.625%, an increase from the previous projection of 5.125%. Currently, markets are pricing in a high probability of a 25-basis-point hike at the July FOMC meeting.

The unemployment rate for June moved lower by 0.1% to 3.6% and continues to reflect the resiliency and strength in the labor markets. Nonfarm payrolls increased by 209,000 in June versus a revised 306,000 in May. The 209,000 net new jobs came in lower than the 230,000 forecasted by economists, marking the first miss after 14 straight months of job growth exceeding expectations. The labor force participation rate remained at 62.6%, unchanged from the prior three months. Average hourly earnings grew by 4.4% year over year, unchanged from May.

The June headline Consumer Price Index (CPI) annual rate of 3% was down from the prior month's 4% reading and down from 5% at the end of March. Core CPI, which excludes food and energy, decreased from 5.3% in May to 4.8% on a year-over-year basis.

Real GDP for the first quarter showed an increase of 2%, up from 1.3%. Consumer spending—the largest component of GDP—rose 4.2% annually in the quarter from 3.8% in prior period, reflecting gains in both goods and services including a surge in purchases of motor vehicles.