

## PERSPECTIVES

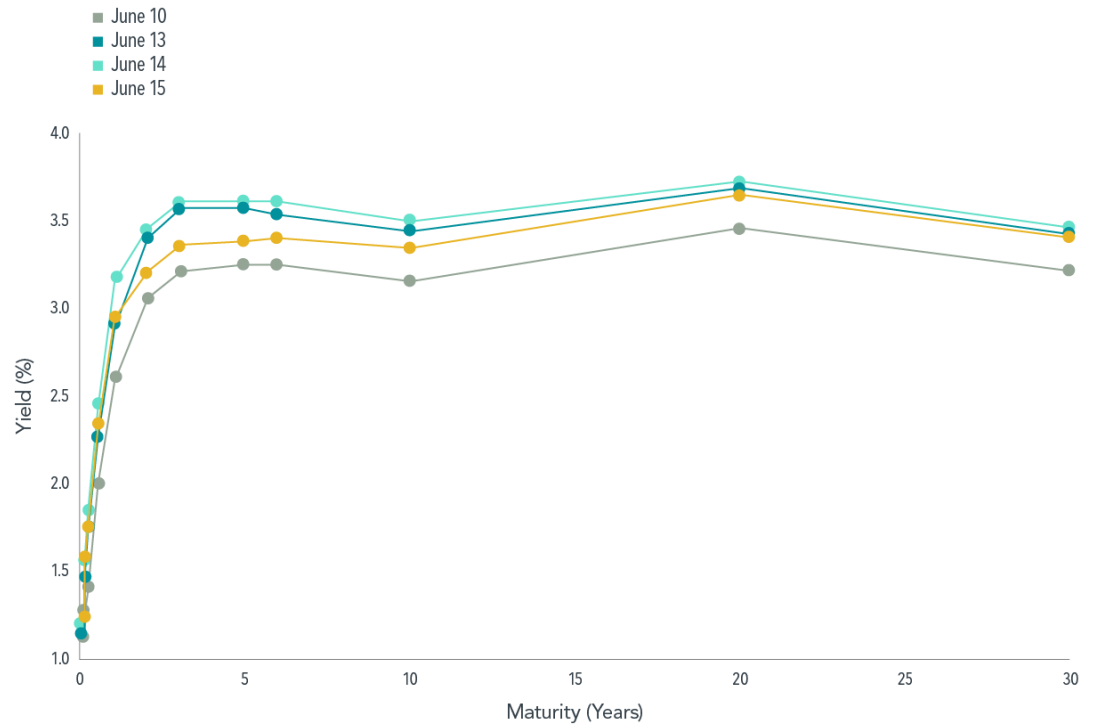
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## Markets Appeared to Be Ahead of the Fed

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The US Federal Reserve announced Wednesday, June 15, its decision to raise the federal funds rate by 0.75%, the largest rate hike in nearly two decades. The market's response? US Treasury yields actually fell slightly compared to the curve's position on June 14. This is not to suggest bond markets shrugged off the Fed's actions. Looking at the yield curve over preceding days (see **Exhibit 1**), it's apparent the market was ahead of the curve—yields jumped from June 10 to June 13 upon signals from the Fed that higher-than-expected rate rises were coming. By the time the announcement was official, a 75-basis point rate hike was old news to investors. This example serves as a reminder of the power of markets and the fact that expectations of Fed activity may not be reliable inputs for asset allocation decisions.

**Exhibit 1****Advance Notice***US Treasury yield curves,  
June 10–June 15, 2022***Past performance is no guarantee of future results.***Data from the US Department of the Treasury.*

**Federal funds rate:** The interest rate at which depository institutions lend balances at the US Federal Reserve to other depository institutions overnight.

This material is in relation to the US market and contains analysis specific to the US.

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