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there may be more hikes to come ...

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By Catarina Saraiva, Bloomberg News (via TNS).

starting in March 2022, when rates were near zero.

"We are committed to restoring price stability, and all of the evidence says that the public has confidence that we will do so," Chair Jerome Powell said at a press conference following the Fed's two-day meeting. "It is important that we sustain that confidence with our actions as well as our words."

Officials are prepared to raise rates higher if needed, he said.

Powell also emphasized the U.S. banking system is sound and resilient, reiterating what officials said in their post-meeting statement, and said the agency is prepared to use all of its tools to maintain stability.

He also acknowledged recent banking turmoil is "likely to result in tighter credit conditions for households and businesses, which would in turn affect economic outcomes," but added, "It's too soon to tell how monetary policy should respond."

Fed policymakers projected rates would end 2023 at about 5.1%, unchanged from their median estimate from the last round of forecasts in December. The median 2024 projection rose to 4.3% from 4.1%.

Treasury yields slid along with the U.S. dollar, and stocks rose after the announcement.

The hike and forecasts suggest policymakers remain firmly focused on bringing down inflation to their 2% goal, indicating they see rising prices — especially based on recent data — as a bigger growth threat than the bank turmoil. It also projects confidence that the economy and financial system remain healthy enough to withstand the string of bank collapses.

At the same time, rising borrowing costs risk worsening the bank crisis, especially

"The question we were all asking ourselves over that first weekend was, 'How did this happen?'" he said.

Tough call

While Wednesday's hike was in line with most economists' and traders' expectations, it was one of the central bank's toughest calls in recent years, with some Fed watchers and investors calling for a pause to mitigate the risk of financial contagion following multiple bank collapses.

The Fed "anticipates that some additional policy firming may be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2% over time," officials said in their post-meeting statement.

Asked about the change in language, Powell said, "Really I would focus on the words 'may' and 'some'." He stressed that Fed officials don't expect rate cuts this year.

He also said policy makers considered a pause in their interest-rate hiking campaign in light of the banking turmoil, but the consensus for an increase was strong, citing recent data showing "inflation pressures continue to run high."

The change in the statement language – policymakers had previously said that "ongoing increases" in the benchmark rate would be appropriate – signals they want to add flexibility to pause if necessary.

Officials also removed a reference in the statement to inflation having eased, saying price pressures remain elevated. It noted that job gains have picked up in recent months, and are "running at a robust pace."

The Fed said it would continue the same pace of shrinking its balance sheet, a process known as quantitative tightening, though recent emergency measures have swelled assets once again. The central bank will keep the monthly caps of $60 billion for

sale of Swiss banking giant Credit Suisse Group AG.

Contagion fears

The turmoil ignited fears of contagion to other banks. The Fed and other regulatory agencies introduced backstops, including an emergency lending facility to banks and an increase in the frequency of U.S. dollar swap-line operations with foreign central banks, the latter of which the Fed and five other institutions announced Sunday.

The past two weeks' events had increased ambiguity about what the Fed would do at this meeting.

Concerns over sufficient liquidity have also increased. Data released last week showed banks in the U.S. borrowed a record amount from Fed backstop facilities in the week ended March 15, topping a previous high reached during the 2008 financial crisis and signaling widespread funding strains.

That's adding to bets that the Fed will cut rates at some point this year, something that most investors didn't expect just before the bank failures, and that Fed officials repeatedly said wouldn't happen.

(With assistance from Kristy Scheuble, Liz Capo McCormick and Vince Golle.)

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