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Dec. 13, 2023



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Kiplinger Consumer News Service

Stocks traded in a tight range in the lead up to this afternoon's policy announcement from the Federal Reserve as investors took in another mixed inflation reading.

However, the main indexes took a decisive turn higher after the central bank, as expected, kept interest rates unchanged in its December meeting and gave an update on the number of rate cuts it expects in 2024.

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Fed keeps rates unchanged, but hints cuts are to come

Today's mixed inflation data echoes what was seen in Tuesday's Consumer Price Index (CPI) report for November. In today's press conference, Fed Chair Jerome Powell acknowledged that the recent improvement we've seen on inflation "is very good news." However, Powell admitted it remains above the central bank's 2% target and that "we need to see more progress."

Still, according to the Fed's Summary of Economic Projections (SEP), or the "dot plot," which summarizes what each member expects monetary policy to be going forward, most central bankers anticipate three quarter-point rate cuts in 2024.

"The stock market waited all year for the Federal Reserve to pivot and for Christmas it gave the market the present of a pivot," says Anthony Denier, CEO of Webull, a commission-free trading platform. By keeping the federal funds rates unchanged and forecasting cuts for next year, "the Fed took a step toward the market, rather than the market moving toward the Fed."

Financial Reporting

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