THIRD QUARTER 2018

The Keating Report

INVESTMENT STRATEGY INSIGHTS

CenterState

Joseph T. Keating is Executive Vice President, Chief Investment Officer, and Head of Wealth Management for CenterState Bank. Mr. Keating is frequently quoted on economic and financial market trends in The Wall Street Journal, Reuters, Associated Press, and local newspapers across the nation.

"The decision you see today is another sign that the U.S. economy is in great shape. Growth is strong. Labor markets are strong. Inflation is close to target."

Jerome Powell, Chairman

Federal Reserve Raises Rates for Seventh Time

JOSEPH T. KEATING
Chief Investment Officer

After the Federal Reserve raised the range for the federal funds rate by 25 basis points to 1.75% to 2% at the June 12-13 FOMC meeting, Chairman Jerome Powell said "The decision you see today is another sign that the U.S. economy is in great shape." Mr. Powell went on to state, "Growth is strong. Labor markets are strong. Inflation is close to target." In our view, an assessment of the economy by the Chairman of the central bank does not get much better than that.

The rate hike last month was the seventh increase since the Federal Reserve began raising interest rates in December 2015 and it followed a rate hike in March. In its policy statement, the Committee noted that inflation has "moved close to 2 percent," the central bank's target. The gradual rise in inflation is coinciding with a moderate acceleration in the economy's growth rate, largely as a result of the fiscal stimulus Congress injected into the economy with the tax cut in December and the $300 billion two year spending bill passed in February.

The minutes of the May FOMC meeting and Chairman Powell's comments in the press conference following the June FOMC meeting make it perfectly clear the Federal Reserve is actively discussing how much further the Federal Reserve will need to raise interest rates over the next two years. With inflation low and appearing to be under control, the central bank does not want to run the risk of unnecessarily bringing about the next recession because it raised interest rates clearly to the side of restraint without inflation pressures building in a material manner beyond the Federal Reserve's 2% target.

As we have stated many times since the Federal Reserve started raising interest rates in December 2015, rate hike decisions over the next couple years will be a dynamic process requiring a great deal of judgement by the Federal Reserve as to what level of short-term interest rates the economic expansion can tolerate and whether policy needs to shift from becoming less accommodative and/or a neutral position to an outright tightening posture. The economy's inflation rate will determine how high the federal funds rate can rise without stalling the economy.

Please continue on back

The pace of rate hikes for the rest of the year could end up reflecting a tug of war between a sturdy economy and the looming risks to future growth, including those from rising trade tensions between the U.S. and such key trading partners as China, the European Union, Canada, and Mexico. All of those countries have vowed to retaliate against any U.S. tariffs with their own penalties against U.S. goods, with some incremental tariffs from Canada going into effect July 1.

Our view remains that the Federal Reserve raises interest rates one, maybe two additional times this year to push against the fiscal stimulus, and then becomes data dependent in 2019 with respect to any further rate increases. The most important data to follow will be the wage and inflation data. It would not surprise us if the dialogue shifts over the next 6 to 12 months from "Is the Federal Reserve behind the curve?" to "Is the Federal Reserve moving too far?"

Personal Financial Advice from Your Friends at CenterState

At CenterState Wealth Management, our team of experienced Financial Advisors work diligently to help our clients grow, protect, and preserve wealth. We employ the latest tools and resources to create strategies that assist our clients in reaching their hopes, goals, and dreams. Our mission is to positively impact the financial futures of our clients. Contact one of our local Financial Advisors today for a complimentary personal visit and learn how we can help you, your family, or your business achieve financial success.

CenterState

Wealth Management Contact List

KAREN ATKINSON
Registered Sales Assistant
OFFICE 813-681-4195
CELL 813-215-6904

LEAH BACKUS
Financial Advisor/ Vice President of Retirement Services
OFFICE 407-508-3024
CELL 407-474-2631

AMY BOTTEGAL
Registered Sales Assistant
OFFICE 772-426-8117
CELL 772-530-6623

MICHAEL G. FEDUCCIA, CFP®
Vice President/Financial Advisor
OFFICE 941-306-0132
CELL 941-504-7856

RICHARD GANT, CFS®
Vice President/Financial Advisor
OFFICE 813-783-8122
CELL 407-538-8189

MICHAEL HALLORAN
Vice President/Financial Advisor
OFFICE 863-385-0292
CELL 863-214-3745

JEFF HENSON
Registed Sales Assistant
OFFICE 941-306-0121

CHRIS RANKIN, CFP®, CLU®, ChFC®
Vice President/Financial Advisor
OFFICE 772-426-8176
CELL 772-529-6442

JOE WELLS, CRPC®
Vice President/Financial Advisor
OFFICE 863-293-4006
CELL 407-432-4107

JOHN WOODS
Vice President/Financial Advisor
OFFICE 772-563-2341
CELL 772-633-7434