

# **MARKET UPDATE: WHERE ARE INTEREST RATES GOING?**

**DON COLLINS - WEDBUSH SECURITIES**

**CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION**

**IN COLLABORATION WITH CMTA**

**ADVANCED PUBLIC FUNDS INVESTING**

**1-27-16**

**THE MISSION INN**

**RIVERSIDE, CA**

# **STORMY DAYS**

- **Interest rates – Don Collins**
  - Theory
  - Drivers
  - Tools
- **Economic Update - David Schiffman**
  - Economic data
  - Interest rate history
  - Interest rate forecast
- **Question/Answer**



# **WHY DOES IT MATTER?**

- **Economist**
  - Micro
  - Macro
  - Behavioral
- **Federal Reserve System**
  - Mandates
  - Resources
- **Forces Behind Interest Rates**
  - Supply/Demand
  - Inflation
  - Federal reserve Fed-Funds rate

# **LOCAL VERSUS GLOBAL INFLUENCE**

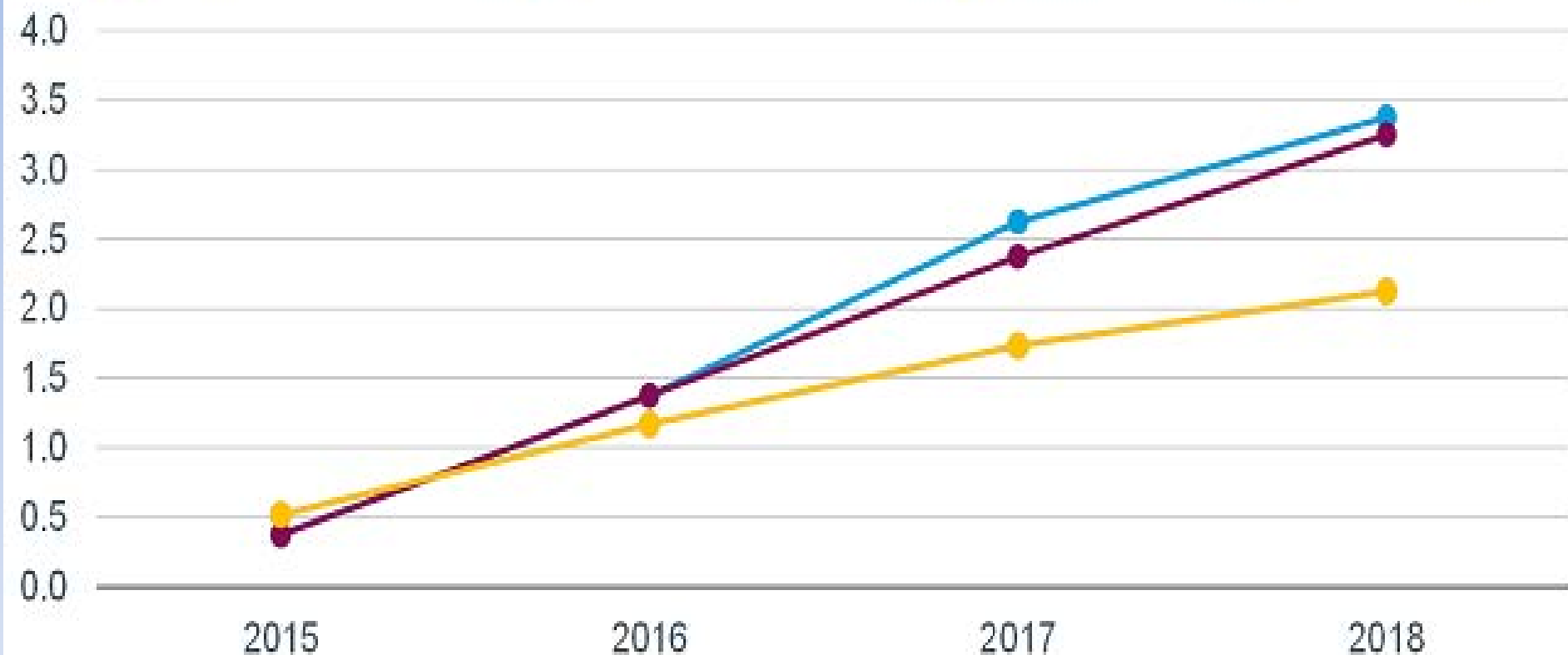
- **Policy**
  - Monetary
  - Fiscal
- **Velocity**
- **Geo-politics**
  - Central bank policy
  - Currency
    - Dollar
    - Perception

# POWER PLAYERS, PAST AND PRESENT



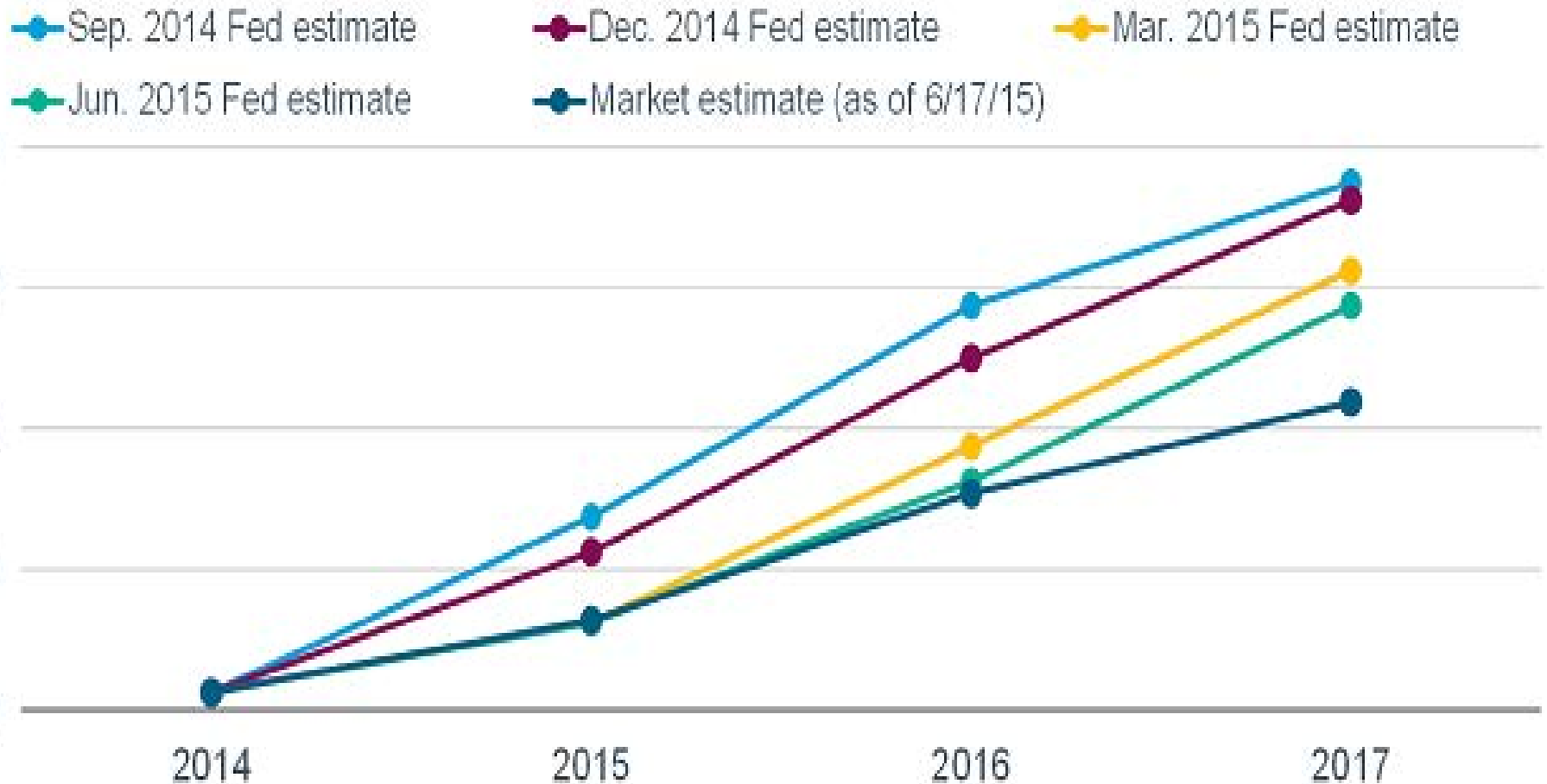
# FABULOUS FED DOTS

● Sep. 2015 Fed estimate ● Dec. 2015 Fed estimate ● Market estimate (as of 12/16/15)



Sources: Federal Open Market Committee Minutes, Bureau of Economic Analysis, CBO.

# OLD FED DOTS AND THEIR REVISIONS

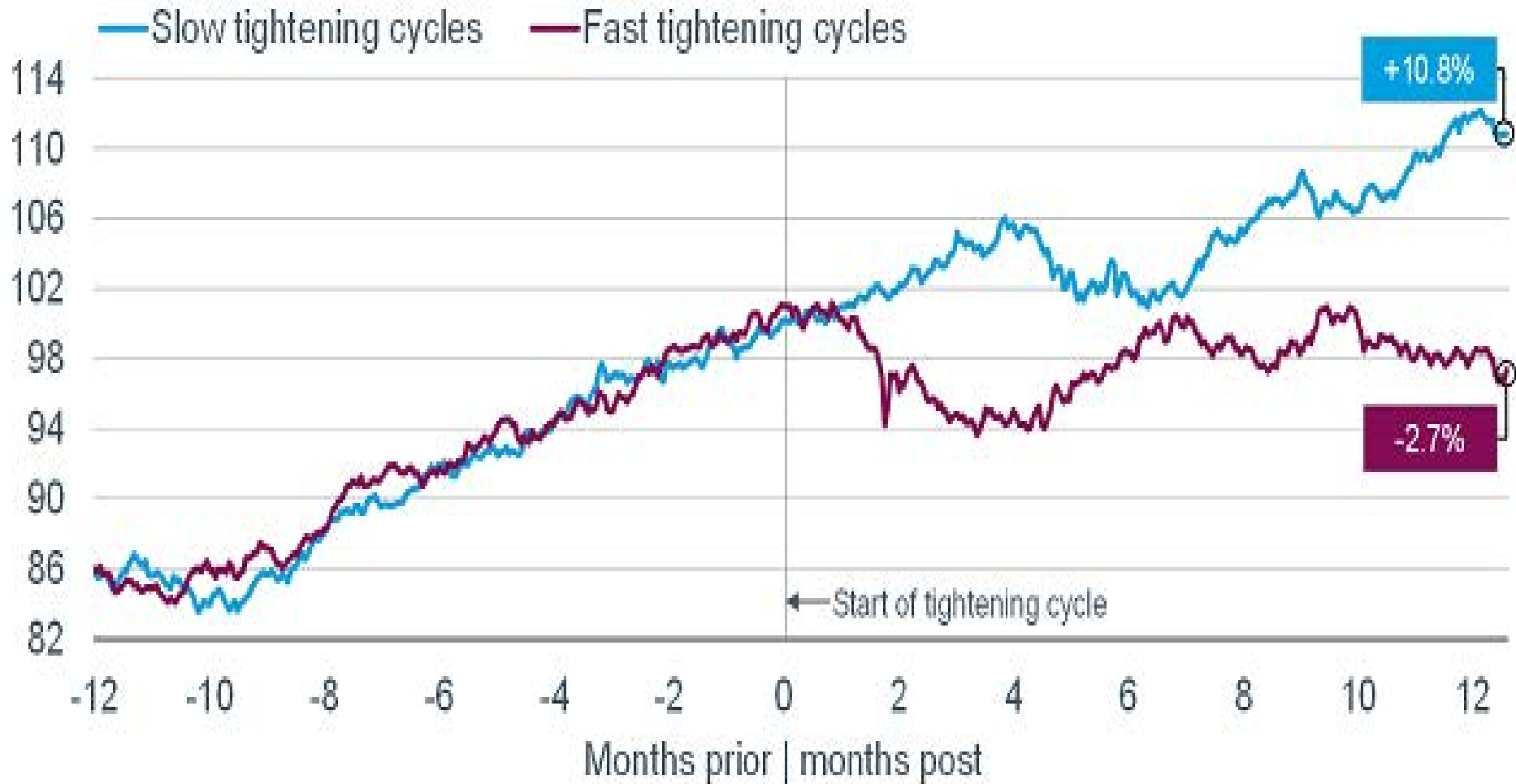


Sources: Federal Open Market Committee Minutes, Bureau of Economic Analysis, CBO.

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# Should we be Worried?

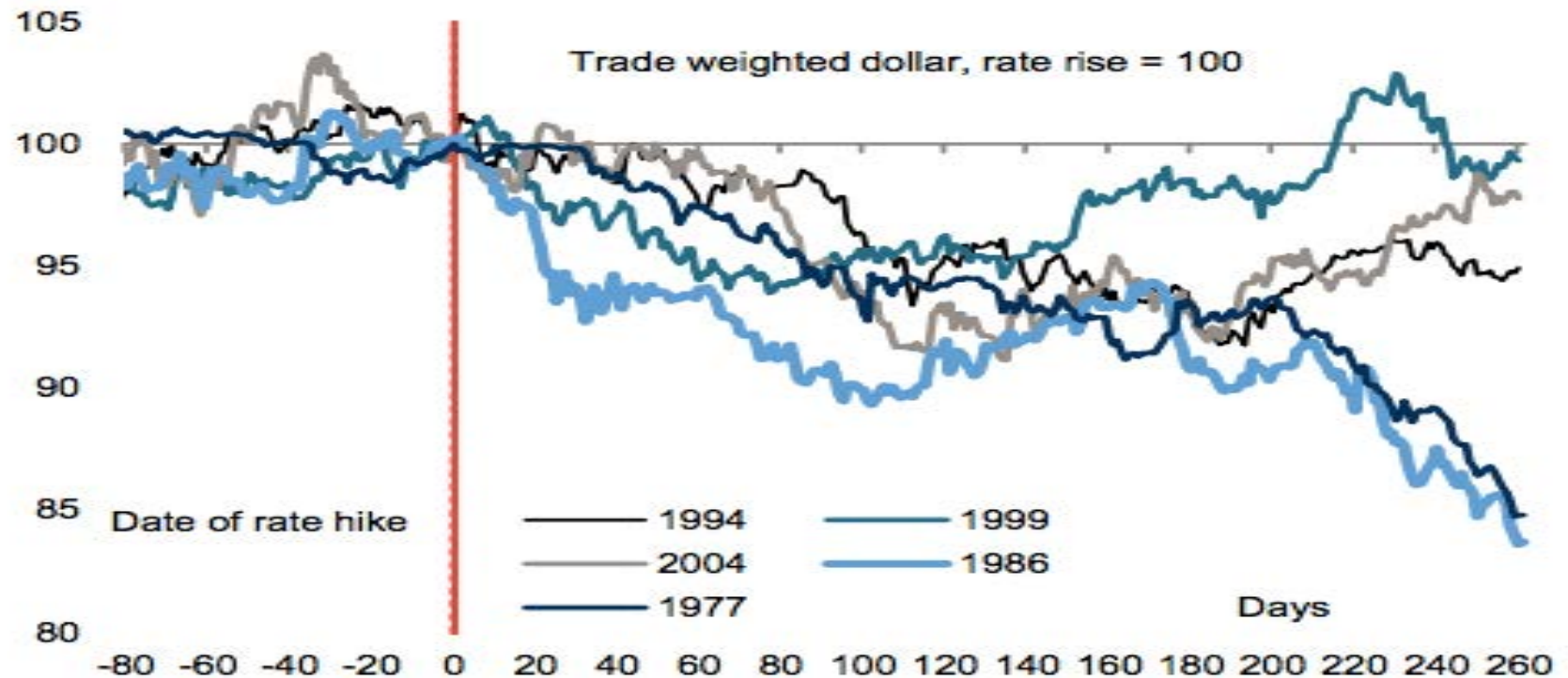


Sources: Federal Open Market Committee Minutes, Bureau of Economic Analysis, CBO.

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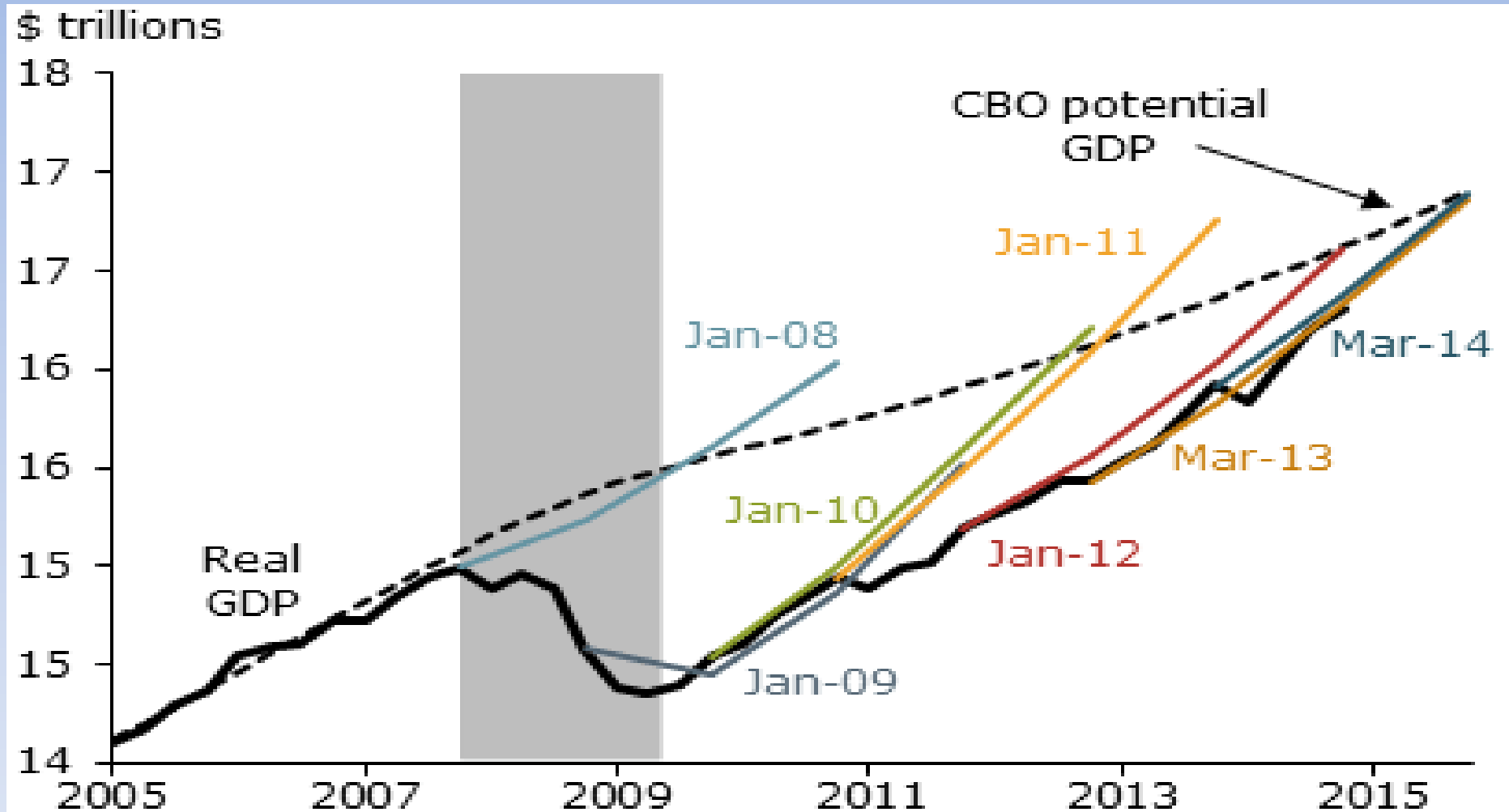
# Fed Raises Rates, Dollar Reaction

**Figure 9: Historically, when the US has raised rates the dollar has stopped appreciating**

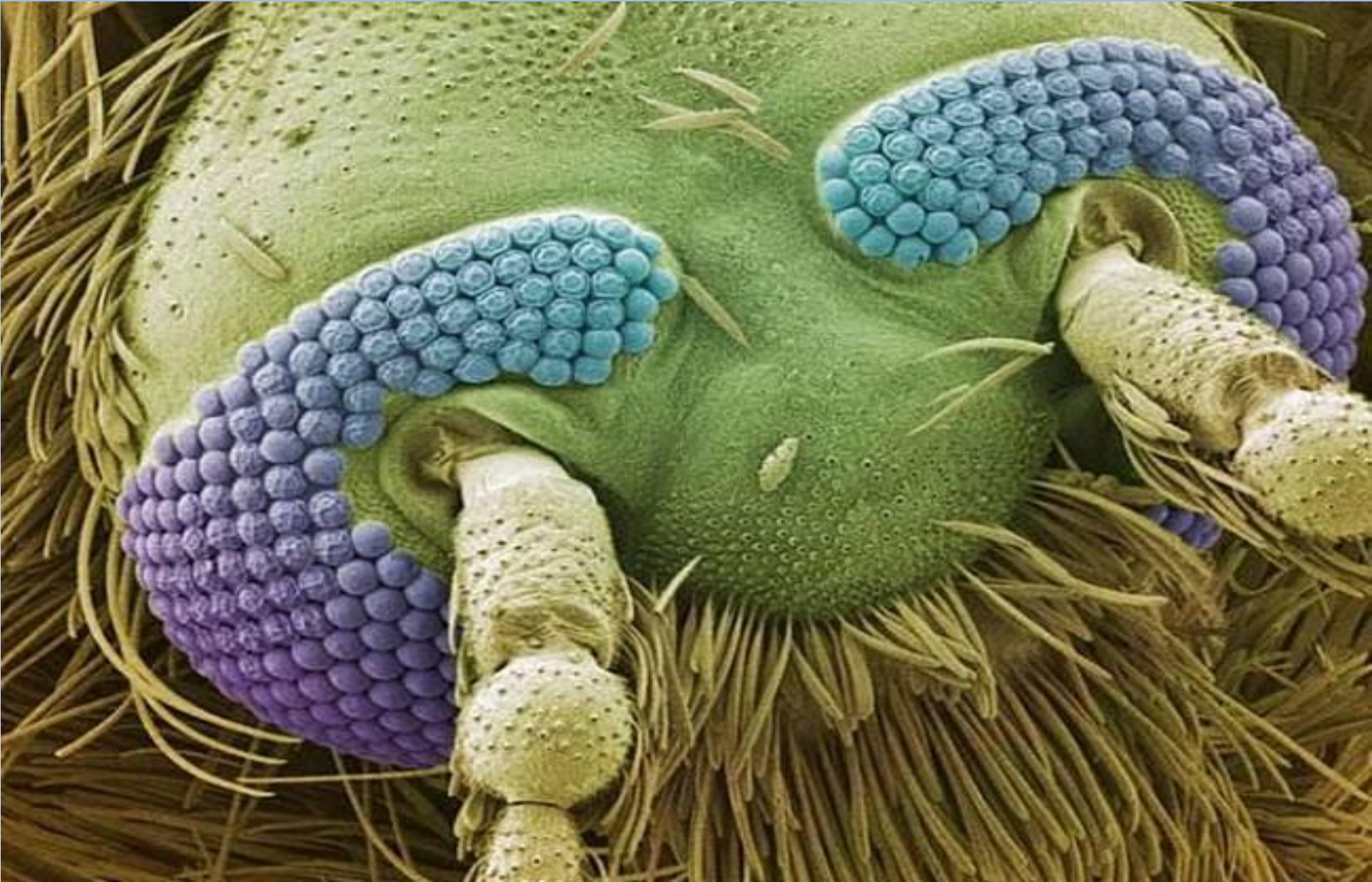


Source: Thomson Reuters, Credit Suisse research

# Real, Forecast, Potential GDP



Sources: Federal Open Market Committee Minutes, Bureau of Economic Analysis, CBO.





# Thank you

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