Summary of news coverage on Fed policy change favoring rising interest rates in 2022 and beyond

(Excerpts below are from news articles.)

BANKER & TRADESMAN
THE FINANCIAL SERVICES AND REAL ESTATE WEEKLY FOR MASSACHUSETTS

Fed Plans Three Rate Hikes in '22

By Christopher Rugaber | The Associated Press | Dec 15, 2021

The Federal Reserve will quicken the pace at which it's pulling back its support for the post-pandemic U.S. economy as inflation surges, and it expects to raise interest rates three times next year.

In an abrupt policy shift, the Fed announced Wednesday that it will shrink its monthly bond purchases at twice the pace it previously announced, likely ending them altogether in March. The bond purchases were intended to hold down long-term rates to aid the economy but are no longer needed with unemployment falling and inflation at a near-40-year high. The accelerated timetable puts the Fed on a path to start raising rates in the first half of next year.

The Fed's new forecast that it will raise its benchmark short-term rate three times next year is up from just one rate hike it had projected in September. The Fed's key rate, now pinned near zero, influences many consumer and business loans, whose rates would likely also rise.

CBC

Higher interest rates are coming. Omicron is unlikely to change that

Canadian borrowers prepare as U.S. central bank warns of 3 rate increases in 2022

Don Pittis · CBC News · Posted: Dec 16, 2021 4:00 AM ET | Last Updated: 6 hours ago

In what's being described as a major about-face to crack down on inflation, Powell announced the central bank will double the pace at which it slows its bond buying, leaving the Fed open to begin raising interest rates as soon as April.

And estimates by Fed officials who make monetary policy decisions are that the bank will raise interest rates three times in 2022, leaving room for other central banks, including the Bank of Canada, to do the same.

Asked whether the Omicron version of the COVID-19 virus now sweeping through the world could block the central bank's plans to roll back stimulus, Powell said that so far, his judgment was that the U.S. economy's vitality would not be diminished by the new variant.

CNBC

The Fed's latest move will send borrowing costs higher

Published Wed, Dec 15 20212:01 PM ESTUpdated Wed, Dec 15 20212:27 PM EST

Key Points

- As the central bank aggressively tapers its emergency stimulus efforts, consumers will see interest rates rise.
- Some borrowing costs are already higher.
- Don't expect deposit rates to keep up.

The days of rock-bottom rates are nearly over. The central bank will aggressively unwind last year's bond buying sooner than originally planned after recent reports on inflation continued to show a sharp rise in prices.

While the Federal Reserve said Wednesday that interest rates will stay near zero for now, the quick tapering of bond purchases is seen as the first step on the way to interest-rate hikes next year.

"For consumers, the writing is on the wall that interest rates are likely to start climbing in 2022," said Greg McBride, chief financial analyst at Bankrate.com.

MarketWatch

Fed has to start hiking rates steadily early next year to combat inflation, former official says

Published: Dec. 14, 2021 at 9:51 a.m. ET
By **Greg Robb**

Interest rates may need to go well above 2.5%, former Minneapolis Fed's Kocherlakota says

The Federal Reserve must act quickly and aggressively to address rising inflation, said former Minneapolis Fed President Narayana Kocherlakota on Tuesday.

Specifically, the Fed should launch "meeting-by-meeting" interest rate increases in January-June and "keep going until inflation comes back down near 2%," Kocherlakota said in a Bloomberg opinion piece.

npr

Inflation is still red hot, and it's forcing the Federal Reserve into a new game plan

- • • Updated December 15, 20215:33 PM ET

The Federal Reserve is paving the way for possible interest rate hikes next year, in an effort to contain stubbornly high inflation.

. . .

The Fed has kept interest rates near zero throughout the pandemic in an effort to prop up the economy. Twelve of the 18 members of the Fed's rate-setting committee now say they expect interest rates to rise by three-quarters of a percent or more in 2022. That underscores the evolution in the Fed's thinking. Three months ago, no one on the committee envisioned rates climbing by that much next year.

Five other committee members expect rates to rise by half a percentage point next year — up from three who said so in September.