

FINANCIAL SERVICES

Fed makes historic 0.75pc rate hike

June 15, 2022



As inflation continues to hit new records, the Federal Reserve is getting more aggressive with increased interest rates. Image credit: Federal Reserve

By LUXURY DAILY NEWS SERVICE

The United States Federal Reserve has increased interest rates by 0.75 percent, the largest hike since 1994, in response to growing inflation.

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As part of an ongoing series of rate changes, rates could go up another 0.75 percent next month according to Federal Reserve chair Jerome Powell. With this trajectory, the benchmark rate will end the year at 3.4 percent, an increase of 1.5 points since March estimates.

New highs

During a press conference following the Fed's announcement on June 15, Chair Powell aimed to reassure investors and Americans that the central bank is doing everything it can to bring inflation back down to a balanced 2 percent.

Although he suggested that rate increases of this size will not be common, another 0.75 percent hike is likely to occur in July.

"A larger increase was warranted," he said in the press conference. "This continues our approach to expeditiously raise our policy rate up to normal levels."

Federal Open Market Committee (FOMC) participants gather at the William McChesney Martin Jr. Building in Washington, D.C., for a two-day meeting held on June 14-15, 2022.

<https://t.co/siWde1Rh9D> pic.twitter.com/91z6YeoOXp

Federal Reserve (@federalreserve) [June 15, 2022](#)

The FOMC believes the Fed's aggressive strategy will work in slowing inflation. Image credit: Federal Reserve Board

Despite drastic numbers, the Federal Open Market Committee (FOMC) appears optimistic about its ability to reduce inflation and return to a more stable economy.

"Job gains have been robust in recent months, and the unemployment rate has remained low," the Committee said in a statement. "Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher energy prices and broader price pressures."

Last Friday, the U.S. Bureau of Labor Statistics revealed inflation hit a 40-year high, rising to a staggering 8.6 percent year-over-year ([see story](#)) just a month after the Fed had increased its benchmark rates by 50 points ([see story](#)).

Signifying a historic attempt to control spending, the stock market reacted favorably with respectable gains across the board. By market close, the Dow Jones was up 303 points, S&P 500 was up 54 points and Nasdaq was up 270 points.

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