Fed Hikes 50; Markets Cheer Fed Resolve

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At conclusion of the third FOMC meeting of the year, Fed officials announced the first half point rate hike since 2000, pushing the overnight rate target to a range 0.75% to 1.00%. They also laid out a plan for reduction of their bloated QE balance sheet; beginning on June 1st with permitted runoff of $47.5 billion, doubling to a maximum of $95 billion per month by September.

The committee shrugged off the negative first quarter GDP print, characterizing household spending, business investment and job gains as "strong." On inflation, Fed officials warned the recent COVID-related lockdown in China is likely to exacerbate supply chain disruptions, while the war in Ukraine is likely to create additional upward pressure on inflation and weigh on economic activity in the near term.

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