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# Chart on the Go

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### The two most likely scenarios for Fed rate hikes this year:

| | MEASURED PACE | AGGRESSIVE TIGHTENING |
|---|---|---|
| **Assumptions** | ▪ Growth decelerates, but stays positive<br>▪ Fiscal environment tightens<br>▪ Supply/demand imbalances begin to normalize<br>▪ Core PCE inflation forecast <3% by mid 2023 | ▪ Inflation becomes unanchored, with wage growth and inflation forecast to be >4% by the end of 2022<br>▪ Financial conditions tighten |
| **How many hikes** | 3–4 | 4+ |
| **Starting when** | March 2022 | March 2022 |
| **How much tightening** | 75–100bp of tightening in 2022 | 150bp of tightening in 2022 |
| **Terminal rate** | Terminal rate of 1.5%–2% by end 2023 | Terminal rate of 3%–3.5% by end 2023 |
| **Likelihood** | 66% | 33% |
| **Yield curve impact** | Yield curve has room to steepen | Yield curve flattens and likely inverts by the end of the year; brings forward the risk of recession |

Source: Columbia Management Investment Advisers, LLC.

The Federal Reserve is expected to begin raising rates this year. And one question driving market volatility is: **"How much tightening?"**

We see two likely scenarios for rate hikes this year: a more measured path and a more aggressive path. The route the Fed takes will be largely driven by its assessment of **inflation risks** and the health of the **labor market**.

For investors, the challenge will remain staying focused on their long-term goals through this period of volatility. Consider flexible fixed-income strategies that can pursue opportunities — regardless of which path the Fed takes.



CTBPSKS (02/22) 4259729