

Chart on the Go

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

	MEASURED PACE	AGGRESSIVE TIGHTENING
Assumptions	<ul style="list-style-type: none"> ■ Growth decelerates, but stays positive ■ Fiscal environment tightens ■ Supply/demand imbalances begin to normalize ■ Core PCE inflation forecast <3% by mid 2023 	<ul style="list-style-type: none"> ■ Inflation becomes unanchored, with wage growth and inflation forecast to be >4% by the end of 2022 ■ 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

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.

Source: Columbia Management Investment Advisers, LLC.

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