



Chart of the week

Markets see higher probability of more Fed hikes

Lately, we have seen a series of surprisingly strong economic numbers. Sentiment indicators in particular look robust, e.g. the Philadelphia Fed Business Outlook Survey rose to readings not seen since the 1980s. Inflation rates are picking up around the globe, mainly due to the recovery in oil prices. Hence it seems reasonable that markets are anticipating a scaling back of the very expansionary monetary policy stance: the probability, calculated from prices of Interest Rate Futures, of up to two rate hikes until mid-year has increased to above 70%. Markets are moving in the direction of our forecast: we're expecting up to three hikes for the U.S. this year.



Sources: Bloomberg Finance L.P., Deutsche Asset Management Investment GmbH; as of 02/16/17

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