
Interest Rate Cut in the USA

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If you've been paying attention to business related news over the last few months, you've likely heard a lot about Interest Rates and the potential of a Rate Cut. On July 31st, we officially got news that the Federal Reserve was reducing rates by 0.25% in the United States. There was mixed reactions to this move with some wanting a larger cut but many in the know questioning why a cut was necessary at all. The US Economy has remained strong and while Global Growth has slowed down, a lot of top financial experts figured that the Federal Reserve could hold steady. This represents the first Interest Rate Cut in over a decade and will reduce the cost of borrowing in the United States. Fed Chairman, Jerome Powell, justified the cut because of low inflation and trade uncertainty. He said this was not part of a long-term plan to cut more rates. We'll now have to wait until September to find out if the Fed will cut again.

For many in Alberta, a reduction in Interest Rates would be welcome news. I'm not sure that we'll see one soon here though. The Bank of Canada seems to be in a holding pattern right now. Canadian Growth has been higher than expected for several months and job growth over the last 12 months has been solid. If the Energy Sector was growing, we might very well see an extremely robust economy here in Canada.

Interest Rates are important for a couple of reasons. The obvious reason is that lower rates makes borrowing money cheaper. This can really stimulate an economy. When rates are hiked, Central Banks are generally trying to cool an economy and control inflation. Rates are also important for Fixed Income Investments. When rates drop, the price of Bonds can go up. So far, it's been a very good year to own Fixed Income for this reason. Please let me

know if you'd like to discuss how any of these factors can impact your portfolio.

By the time this Newsletter goes out, we'll be getting ready to celebrate our big anniversary. Please contact us before we leave the office on August 18th. If you need assistance between then and August 30th, please contact Stephan Sulek at [\(403\) 863-2152](tel:4038632152) [1] or ssulek@efscanadainc.ca [2].

Have a fantastic finish to your summer!!!

Bryce A. Borden

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