US Fed leaves rates unchanged, stays on course for December hike

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The Federal Reserve is leaving its key policy rate unchanged but signaling that it plans to keep responding to the strong USA economy with further rate hikes.

In its statement, the Fed is all but sure to announce that it will keep its key rate unchanged in a range of 2 percent to 2.25 percent, the level it reached in September when the Fed raised it for the third time this year. A statement it issued Thursday after its latest policy meeting portrayed the economy as robust, with healthy job growth, low unemployment, solid consumer spending and inflation near the Fed's 2 percent target.

Despite a USA trade war with key nations, weaker corporate investment and a sluggish housing market, the Fed is expressing confidence in the economy's resilience. People are buying fewer new homes as mortgage rates rise. For the first time since the central bank introduced its 2 per cent inflation objective in 2012, both the headline and core measures of year-on-year price pressures hit the FOMC's goal of 2 per cent in September.

"By the middle of next year, however, we expect economic growth to slow below its potential pace, which would force the Fed to the sidelines", he said in a note. He also blasted his Fed chief, a former investment banker he nominated previous year, as a "threat" to Republican control of Congress over a string of interest rate increases.

The Fed's decision Thursday was approved 9-0 by its voting policymakers. The market pullback received no mention in the Fed's statement, unlike earlier downdrafts in 2015 and 2016.

The Federal Reserve held short-term interest rates steady and offered a mostly upbeat assessment of the economy's performance, suggesting another rate increase is likely at its next meeting.

The Fed's meeting came after the Labor Department reported last week that the USA economy added a larger-than-expected 250,000 jobs in October, with the unemployment rate unchanged at 3.7 percent, the lowest level in nearly five decades.

"Job gains have been strong, on average, in recent months, and the unemployment rate has declined".

Since Fed officials met in late September, "the labor market continues to strengthen", the statement read. The central bank's policymakers have stressed, and most economists agree, that these small quarter-point increases amount to a gradual pace of credit tightening.

That was well above the roughly 2% rate many economists and the Fed believe is the underlying trend.

"If Trump's public criticism for fed for tightening too rapidly is likely to have had effect on their deliberations, I think it's more like to make the Fed raise rates than not just to show that they are independent", said George Selgin, senior fellow at the Cato Institute.

U.S. policy makers are also contending with a strengthening dollar as interest rates rise and more recent market volatility just as other central banks take steps to end crisis-era stimulus programs.

Trump is widely expected to keep criticizing the Fed for rising rates, but so far Powell has stayed on course and avoided firing back.