Expect another Fed rate hike in December

As anticipated, the hurricanes have turned the usual flow of economic data into a game of pick-up sticks, a meaningless tangle. The market reaction has been to ignore the new data, assume the economy is on-trend, and focus on other stuff that may be trend-changers. That other stuff would be the Fed, foreign policy, trade policy, and asset markets. The Fed is in play in two parts: what it will do and who will do it. The US 10-year T-note is technically edgy. Take out 2.40% going up, and we’ll try the post-election tops. The consensus now: in December the Fed will lift the overnight cost of money from 1.25 percent to 1.50 percent, and that move is largely built into mortgage and other market rates. However, we are nearing the end of the period in which the Fed could hike and long-term rates could stay put. The 10-year Treasury (T) note has been hanging on to a key level all week -- 2.35 percent -- which is too low relative to the Fed funds rate to survive another hike. Mor...

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