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From: David Helscher

With the flip of the seasonal calendar, my attention is drawn from a tremendous Lumberking's season to football. Something in the air, but not snowflakes. What comes to mind is the running Peanuts cartoon with Lucy VanPelt telling Charlie Brown she will hold the football while he kicks it, only to pull it away at the last moment. From an economic perspective, we may have Janet Yellen and crew talking about the need to raise interest rates but not doing so at the last meeting of the Federal Open Market Committee meeting on September 20-21. We are left to wonder not so much if, but when, the same question since December last year at the time of the initial increase in short term rates.

In all honesty, Ms. Yellen and company have stated throughout the year that their actions would be data dependent. The data has been muddled. A very weak jobs report in May was offset by strong numbers in the following two months, before backing off some with August numbers. The oil and energy sector is struggling along with low commodity prices inhibiting new exploration expenditures, hiring and capital investment. Oil prices have rebounded some over the summer but currently appear to be range bound between $40 - $50 a barrel, close but no cigar. Manufacturing has faced a head wind of a stronger U.S. dollar, making products more expensive relative to foreign competitors. Recent manufacturing purchasing manager indices have moved into or near contraction territory. On balance, the U.S. economy continues to grow at a tepid pace, but growing all the same. But this growth is not igniting any inflation fires to cause the FOMC concern.

Compounding FOMC frustration is the global markets. Both the EU and Japan are at or near 0% growth, avoiding recession but still struggling to get their respective economies growing again. An upward move of U.S. interest rates could cause capital to once again move into dollar denominated assets, moving U.S. fixed income yields lower and developed markets yields higher, just the opposite of what is intended. Higher U.S. rates would have a similar detrimental effect on emerging market's currency with a flight to higher yielding U.S. securities.

But just to tease, in the published statement following the FOMC meeting, 3 voting members dissented, favoring an increase now. That is the largest number of dissents since 2014. The tone of the statement was more hawkish and the projections of members still indicate a move up in rates yet this year, leaving the November meeting, one week before the election, and the December meeting.

The U.S. equity markets rallied on the news, but not because rates were not increase as this was widely expected. The rally was not due to the projections of a December increase, also widely expected. The release of the Fed's dot matrix, FOMC members' expectations of rates going forward, moved to a position more in line with what market analysts had been saying most of this year, a slow, shallow increase in rates. A matching of expectations is what got the markets excited.

Will the Fed raise short term interest rates in December? It is all data dependent. Will the labor market continue to strengthen, will manufacturing start to rebound, will commodity prices stabilize, and will there be an absence of geopolitical events that rattle any of the above? Or will we approach the December meeting of the FOMC with uncertainty, not knowing if rates will rise or not. Good Grief!