

FRIDAY MARKETS

INDEX	CLOSE	CHG
Dow Jones Industrials	19,756.85 ▲	142.04
Dow for the week	3.1% ▲	586.43
Nasdaq composite	5444.50 ▲	27.14
S&P 500	2259.53 ▲	13.34
T-bond, 30-year yield	3.15% ▲	0.04
T-note, 10-year yield	2.47% ▲	0.06
Gold, oz. Comex	\$1159.40 ▼	10.40
Oil, light sweet crude	\$51.50 ▲	0.66
Euro (dollars per euro)	\$1.0551 ▼	0.0062
Yen per dollar	115.23 ▲	1.16

SOURCE: USA TODAY RESEARCH, MARKETWATCH.COM

USA SNAPSHOTS®

More fun on the town



Credit/debit card transactions at bars, lounges and nightclubs increased

per account year-to-year in September.

SOURCE: Visa U.S.A. Inc. analysis of 40 million Visa credit and debit accounts
ANALYST: JAMES J. O'NEILL, USA TODAY

Trump's plan could mean faster rate hikes

Fed set to lift rates for first time in 2016, but future not certain

Paul Davidson

@Pdavidsonusat
USA TODAY

The Federal Reserve is virtually certain to raise interest rates this week for the first time this year, but the course of future hikes has suddenly become cloudier.

The Fed has signaled for many weeks that it plans to hoist its key rate by a quarter percentage point at a two-day meeting that begins Tuesday, and futures markets say there's a 93% chance it will follow through.

Meanwhile, President-elect Donald Trump's fiscal stimulus proposals may ultimately require faster rate increases to head off inflation, while other byproducts of his plan could slow the economy and prompt the Fed to act more cautiously.

For now, economists don't expect Fed policymakers to weigh such hypotheticals as they draft quarterly projections for rate in-

creases over the next few years. Even so, with unemployment falling rapidly and inflation finally picking up, Fed officials likely are no longer inclined to call for slower rate hikes over the long-term, as they have in each of their previous forecasts this year amid headwinds such as weak productivity growth, economists say.

"Unemployment is falling toward levels that are arguably below stable inflation," says Tim Duy, a University of Oregon professor and author of the Fed-watch blog. He says the Fed will almost certainly reiterate that rate increases will be gradual.

In November, the jobless rate dropped to 4.6% from 4.9% the previous month. That's already below the 4.8% that the Fed has deemed the lowest average rate sustainable without generating excessive inflation, or rapid price increases that decrease consumers' purchasing power and especially hurt savers and those on fixed incomes. Low unemployment typically pushes up wages as employers compete for fewer workers, and price increases typically follow as the firms scramble to maintain profit margins.

That doesn't mean persistently



GETTY IMAGES

Yellen

gasoline prices faded, that's well below the Fed's 2% target.

Still, it was the fastest pace in two years. And annual wage growth hit a seven-year high in October and has climbed steadily since early 2015 in "a further signal that inflation is firming," Barclays economist Michael Gapen wrote in a note to clients.

In September, Fed Chair Janet Yellen noted that discouraged workers on the sidelines were streaming back into the labor force, keeping the unemployment rate elevated and providing the economy "more room to run" without stoking inflation. But the labor force shrank in both October and November, giving the Fed another reason to make a move this week and stick with its previous forecast of two rate hikes

low inflation is poised to suddenly spike. While an inflation measure closely monitored by the Fed rose from 1.2% to 1.4% annually in October as the effects of low

next year and three in 2018.

"If you were to wait any longer, you would risk getting behind the curve," says JPMorgan Chase economist Michael Feroli. The Fed held off on rate increases earlier this year in response to China's slowdown and a sluggish U.S. economy, among other factors.

The future roadmap is fuzzier. Trump has proposed a \$1 trillion plan to upgrade the nation's infrastructure and sharp tax cuts, a stimulus package that, if passed by Congress, could fuel inflation and force the Fed to lift rates more rapidly.

But, "it's probably too early for the Fed to incorporate any fiscal policy issues into their forecast," Duy says. It's similarly too soon, he says, to anticipate negative economic fallout from Trump's restrictive trade proposals.

On the other hand, the prospect of more federal spending and faster economic growth and inflation under Trump already has strengthened the dollar and pushed up long-term interest rates. Those developments tend to crimp the economy by hurting U.S. exports and discouraging consumer and business borrowing.