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Election, interest rates top of agenda prior to Open Market meeting

By Catherine Lackner

With national election season in full swing, bankers are contemplating a host of questions, among them who will win the election and when the next hike in the prime interest rate by the Federal Reserve will occur.

Federal officials will meet Sept. 20-21 to discuss monetary policy and a potential rate hike at the Federal Open Market Committee meeting. Lael Brainard, a member of the Federal Reserve Board of Governors, has indicated she is leaning toward not raising rates, news sources have reported.

"As far as timing, I don't expect anything in the next four weeks," said Mason Williams, senior vice president and chief investment officer of Coral Gables Trust Company, in a Sept. 2 interview.

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Mason Williams

The growth of the economy was below the Federal Reserve's expectations and the impending election "is another reason to stand pat until December. Even if the Fed does raise the rate, it would be gradual, but I don't expect anything at all right away."

Any changes wrought by the election would be at least six to nine months after the new president is sworn in, he said. "Banks are always thinking a year out, or longer. Nothing has changed in the past two or three years. We're experiencing slow growth in the economy and rates are low."

There is a general sense that Hillary Clinton will be the next president, he said, but the actions of Congress and many other factors affect the banking industry, as well, he said.

"There's still a lot of uncertainty and pessimism," Mr. Williams said. "Our economy is growing at only 1.5%-2% per year, and it's still the best in world right now. Major countries are all struggling with one of the worst recoveries since World War II."

"Regardless of who wins, rates will go up," said Philip "Flip" Gassman, executive vice president at Marquis Bank. "We've been talking about an interest rate hike for a good three to four years now. At some point, rates will go up, and that's a good thing for banks. They will be under less pressure to just sit on money."