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Fed keeps lid on funds rate

By [Aaron Siegel](#)

June 28, 2007

The FOMC's period of inactivity hit the one-year mark today, as the federal funds rate was kept at 5.25%.

The FOMC said that economic growth "appears to have been moderate during the first half of this year," despite the ongoing adjustment in the housing sector.

The predominant policy concern remains the risk that inflation will fail to moderate as expected.

"The economy seems likely to continue to expand at a moderate pace over coming quarters," according to the statement, the FOMC statement said.

Regarding inflation, however, the FOMC said that a sustained moderation in inflation pressures has yet to be "convincingly demonstrated."

Yesterday, the Department of Commerce revised up inflation, measured by the core personal to 2.4% from 2.2% ([InvestmentNews, June 28](#)).

The Federal Reserve's comfort zone for inflation is between 1% and 2%.

The last time the FOMC manipulated changed interest rates was June 29, 2006 ([InvestmentNews, June 29, 2006](#)).

"It is pretty clear that there is a holding pattern until either the housing sector gets worse or we will see strong pressures where they will need to tighten," said Steven Sheldon, principal and founder of Houston-based SMS Capital Management LLC. "It is very hard to believe that the FOMC will want to kick the consumer when they are sown and



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tighten anytime soon."

SMS Capital Management manages \$25 million in assets.

Today's meeting marked the tenth in a row without a policy adjustment.

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