At its November 10 meeting, the Federal Open Market Committee (FOMC) continued its series of policy rate increases with another 25 basis point (bp) rise in the target for the overnight uncollateralized interbank loan (federal funds) rate. The Bank of England and the European Central Bank target slightly longer-term money market rates, but neither has changed its target repo rate recently; the Bank of Japan continues into the eleventh month of a ¥30–¥35 trillion target for its supply of current account balance liabilities.

The FOMC’s series of rate increases began at its June 30 meeting. Since then, the federal funds rate has increased 100 bp, in line with the FOMC’s view that “policy accommodation can be removed at a pace that is likely to be measured.” The U.K.’s overnight interbank rate rose about 50 bp over the same period, reflecting comparable increases in the Bank of England’s money market rate target; overnight rates in the euro countries and Japan were essentially unchanged. Long-term bond yields have declined about 50 bp in the U.S. since June, with comparable or slightly smaller reductions in long-term yields in the other three currencies’ bond markets, reflecting some softening since June in the global outlook for real growth and/or inflation. The 150 bp compression in the spread between overnight and long-term dollar yields is one sign of the lessening degree of policy accommodation sought by the FOMC. Although smaller, such a compression is apparent in each of the other three major currencies as well.