It's time for the US Fed to walk away from a bad bet

In light of the continued solid performance of the labor market and mild inflation for economic activity and inflation expectations for the US economy, former US Federal Reserve governor Kevin Warne says it is time to stop printing money.

JAKE'S VIEW
JAKE VAN DER KAMP

But no网首页 enough for another $25 basis point increase in interest rates before the US presidential election in November 2016 and a formal decision is made on the December 2016 Fed meeting.

Warne says on Tuesday: "The Fed should end the current tightening cycle. The labor market is strong enough to look past longer-term inflation and productivity effects that have reduced core inflation in recent years. The recent financial market volatility, reflecting the old adage that political stability is a key determinant of financial markets, points to the importance of ending the current rate hike cycle before the US presidential election. The Fed must be careful not to undermine the US economy's growth potential by over-tightening the monetary policy."

Warne believes that the US economy is in a good place and the US labor market is at or near full employment with an unemployment rate at 4.9 per cent, down from its peak of 10.2 per cent in 2010.

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