

RATE-HIKE

READY?

The Federal Reserve is planning to raise interest rates (the Federal Funds Rate, to be exact), perhaps before the end of 2015. The exercises below can help give you context for this move and test your knowledge of what it might mean.

1.

The last time the Fed raised rates was in June of 2006. What else happened that month? (You may select more than one.)



A - "Ka-ching" was added to the Oxford English Dictionary.



B - Average price of gasoline in the U.S. reached \$2.93 per gallon.



C - The New York Stock Exchange had its biggest single volume trading day (over 3 billion shares exchanged).

2.

What's the target U.S. inflation rate the Fed would like to see?

A: 3.0% **B:** 0.5% **C:** 1.5% **D:** 2.0%

3.

The Fed's raising of rates is most likely to have a direct impact on the price of which items? (You may select more than one.)

A - Mortgages **B** - Appliances **C** - RV or boat loans **D** - Vegetables



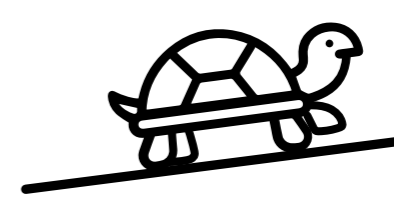
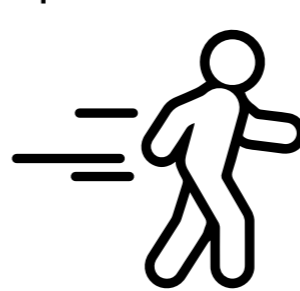
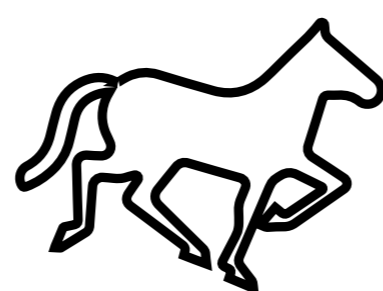
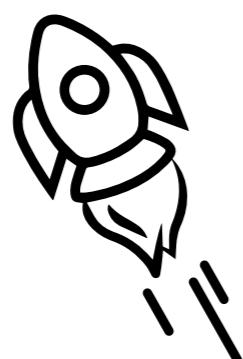
4.

TRUE OR FALSE: While the Federal Funds Rate has been near 0% for 5 years, it's been as high as 9% in the late 1980s.

5.

Which speed best matches the anticipated momentum of further rate hikes following the Fed's initial boost?

A - Rocket liftoff **B** - Galloping horse **C** - Briskly walking person **D** - Tortoise on slight incline



To learn more about the economics of a possible rate hike, read the "Interest Rates 101" series from Economist Scott Anderson on the Bank of the West Blog: <http://gowe.st/rates101>