Credit and Cents

Making More Cents Quarterly Newsletter

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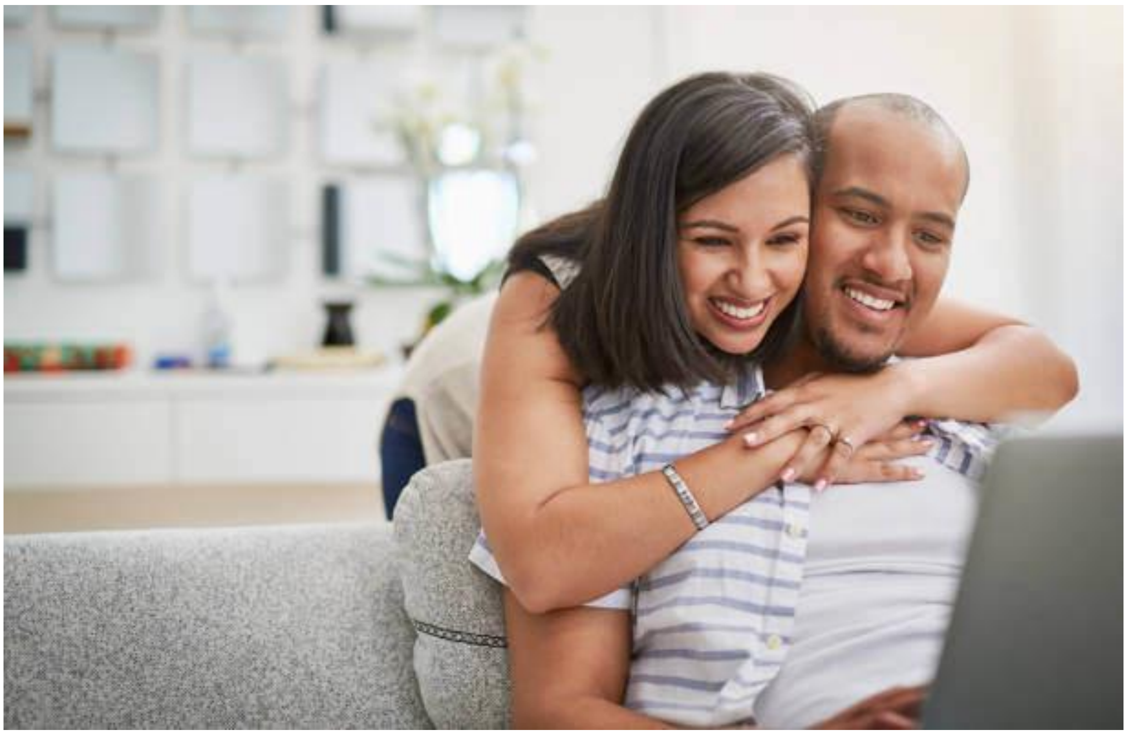

Fed's Rate Cuts Delayed: Navigating the Second Half of 2024

The Federal Reserve announced its decision in June to delay implementing interest rate cuts until later in 2024. This decision aims to stabilize economic growth and combat potential economic slowdowns amidst ongoing economic trends. Thus far employment rates have remained steady, inflation is beginning to moderate, and gas prices have seen a slight decrease. Read below on how to be prepared for the remainder of 2024.

Impact on High-Yield Savings Accounts

For those with high-yield savings accounts or looking to open one, interest rates currently average around 4.5%. This delay means account holders can continue to enjoy higher returns compared to traditional savings accounts for a bit longer. It is a good time to maximize contributions to these accounts while the rates remain attractive.

Credit Card and Personal Loan Borrowers

Credit card and personal loan borrowers will not see immediate relief in interest rates. Currently, the average interest rate charged for credit cards is about 20%, while personal loans average around 10%. Monthly payments and interest costs will remain higher until the Fed enacts the cuts. Borrowers should plan their finances accordingly and consider paying down high-interest debt or consolidating it to manage costs better.

Mortgage Seekers and Homeowners

Prospective homebuyers and current homeowners looking to refinance will have to wait for more favorable mortgage rates. The national average 30-year mortgage rate is currently around 7.06%. Until the rate cuts take effect, mortgage rates will remain higher, making buying or refinancing less affordable in the short term. Those looking to purchase or refinance should stay informed about rate trends and be ready to act when the cuts are finally implemented.

Investors

Investors might experience continued volatility in the stock and bond markets. With the rate cuts postponed, borrowing costs for companies remain higher, which could temper stock market gains. However, bond yields might remain stable, offering consistent income for bondholders. In the interim, investors should focus on a balanced portfolio, diversifying their investments to mitigate risks. Consider sectors that perform well in higher interest-rate environments, such as utilities and consumer staples.

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