Opportunities with Changing Interest Rates

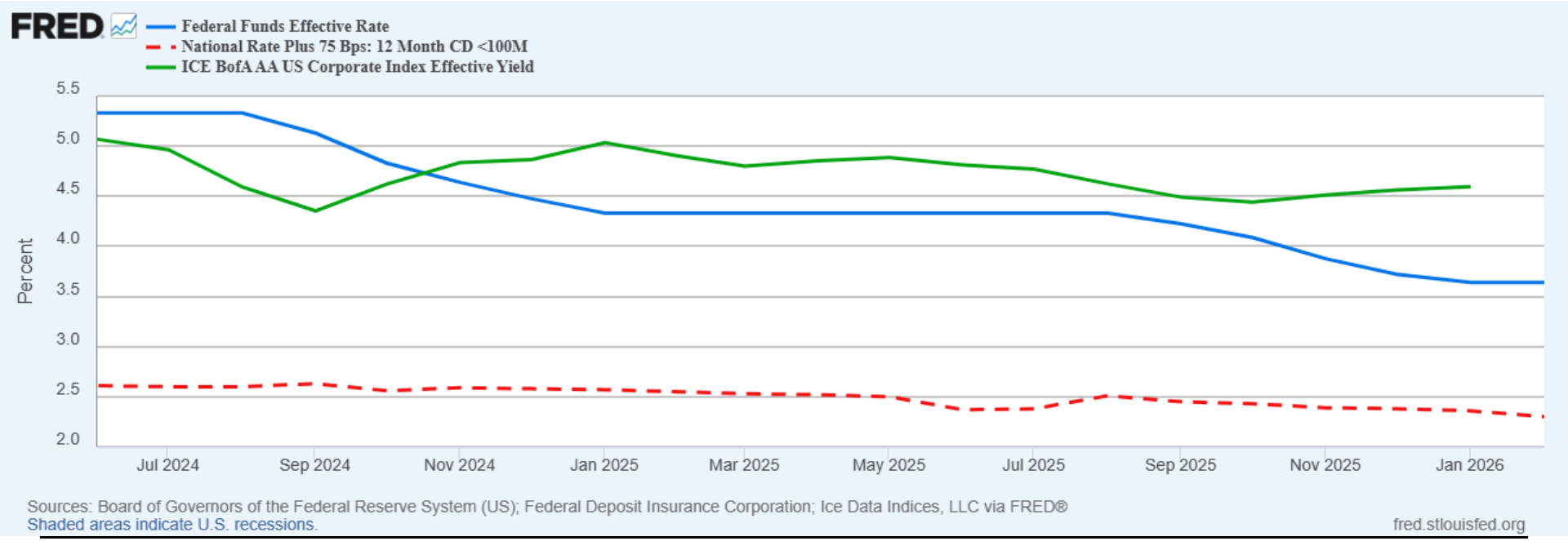
Strategies for Business #2

February 17, 2026

Since September 2024, the Federal Reserve has reduced the Fed Funds rate 6 times (blue line) to the current target of 3.50 – 3.75%. In turn, bank rates also change when the Fed Funds rates changes to remain competitive in capturing or retaining deposits. The 12 Month CD Jumbo bank rates have also declined as measured by the Federal Reserve and depicted in the "red dashed line".

How does one retain higher yields with declining interest rates? <u>3 good options presently exist.</u>

One option (illustrated below) is the "AA Rated Corporate Bond" index (green line) retaining higher yields despite the declines in Federal Funds. This is an example of the spread or difference relative to Fed Funds rate widening in favor of the investor unlike bank rates. Rates change, so do opportunities.



Source: Federal Reserve System