# Rate hike likely appropriate ‘in the coming months’, Yellen says

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The Federal Reserve should raise interest rates “in the coming months” if the economy picks up as expected and jobs continue to be generated, U.S. central bank chief Janet Yellen said on Friday, bolstering the case for a rate increase in June or July.

“It’s appropriate ... for the Fed to gradually and cautiously increase our overnight interest rate over time, and probably in the coming months such a move would be appropriate,” Ms. Yellen said during an appearance at Harvard University.

Although Ms. Yellen expressed caution about too steep a rise in U.S. interest rates, she sounded more confident than she has in the past about economic growth and the prospect of inflation edging higher toward the Fed’s 2 percent target.

“The economy is continuing to improve ... growth looks to be picking up,” Ms. Yellen told a group of professors and alumni at the Ivy League college in Cambridge, Mass. She added that she expects the labor market to continue to improve.

Prices for U.S. Treasuries fell after Ms. Yellen’s remarks, while stocks rose. The U.S. dollar was trading higher against a basket of currencies.

The probability of a rate hike at the Federal Open Market Committee’s June 14-15 meeting rose to 34 percent from 30 percent before Yellen’s remarks, according to CME Group, where the futures contracts are traded.

Bets on a rate increase at the July 26-27 policy meeting hit 60 per cent, more than double the estimate from a month ago.

The Fed raised its key benchmark interest rate in December for the first time in nearly a decade, but has held off since then due to concerns earlier this year about a global economic slowdown and financial market volatility.

Those concerns have subsided somewhat in recent months. In recent weeks, several Fed policymakers have reacted to stronger U.S. economic data and stable financial markets by putting a rate hike squarely on the table for either June or July.

Ms. Yellen’s comment on Friday “reinforces the signals on early rate hikes communicated recently by her FOMC colleagues,” Mohamed A. El-Erian, chief economic adviser at Allianz, said via Twitter.

Weak oil prices and a strong dollar have been blamed for helping to keep U.S. inflation below the central bank’s target.

On Friday, Ms. Yellen said those factors “seem like they are roughly stabilizing at this point and my own expectation is that ... inflation will move back up over the next couple of years to our 2 percent objective.”

The economy has not seen “much improvement in wage growth which is suggestive of some slack in the labour market,” Ms. Yellen added.