US ELECTION YEAR POLITICS AND FEDERAL RESERVE RATE MOVES

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The Fed cherishes the institutional self-perception of its independence from US political dramas. It therefore likewise does not want to be accused by its economic constituency (the so-called general public, and particularly important politicians) of playing favorites or otherwise being entangled within domestic politics.

My intuition is that in US Presidential election years, all else equal, the Fed generally prefers to delay noteworthy policy moves (Federal Funds rate changes and so forth) as Election Day nears. The window prior to the vote during which this guardian probably will not engage in important policy action is narrower than six months; around two or three months is my guess. In September (picture Labor Day)/October/very early November, the election battle is in full swing and thus probably too close. May/June are essentially pre-convention, so the Fed will seem less prejudiced (unfair, disruptive) if it acted then. July/August "as a rule" are distant enough so that the Fed would not be troubled about acting within them.

A likely qualifying consideration: when the US electorate is very divided and political tempers high, as nowadays, the Fed will be particularly wary about acting close to the election.

In 2016, the Republican convention is July 18-21, the Democratic assembly July 25-28. America votes 11/8/16.

In the current landscape (assume no emerging US economic weakness and no widespread fears of a global financial meltdown), these considerations and political dates make a Fed Funds increase in 2016 more likely than not in June (6/14-15 meeting) or July (7/26-27).

A rate hike is unlikely in the Fed's September 20-21 meeting. Though the first formal presidential debate occurs after this (on 9/26/16), 9/20-21 is well after the conventions and only six weeks before Election Day. A rate boost is very unlikely in the Fed's November 1-2 gathering. The December post-election Fed meeting (12/13-14/16) is a likely date, all else equal, for a Fed policy action.

Here's a chronicle of Federal Funds rate shifts. It does not clearly unveil a bias against rate changes as the election approaches. The 2008 crisis situation of rate-cutting was exceptional.
https://www.newyorkfed.org/markets/statistics/dlyrates/fedrate.html

However, despite this murky history, the current Fed regime probably will do its best not to raise rates in the two or three months before the 2016 vote. This particular Fed crew is an especially cautious (and dovish) group. It repeatedly has underlined it will move only very gradually to normalize policy. The heated US political universe this year, which very likely will remain so, probably will encourage their reluctance to raise rates as the election approaches.

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