



CHAO & COMPANY
FIDUCIA PERPETUA

FOMC, May 1, 2019

Press Release - Changes from March 20, 2019?

Summary

- Labor market remains strong and solid job gains. (**no change**)
- Economic activity rose at a solid rate. (**change**)
- Unemployment rate has remained low. (**no change**)
- Growth of household spending slowed. (**no change**)
- Growth of business fixed investment slowed. (**no change**)
- Inflation (nominal) declined and running below 2%. (**change**)
- Inflation (core) declined and running below 2%. (**change**)
- Short-term market-based inflation remains low but long-term, survey-based measures remain little changed for the long run. (**no change**)
- Maintain the federal funds target rate range at 2-1/4 to 2-1/2 percent. (**no change**)
- Based on sustained economic activity, strong labor market and the “symmetric” 2% objective in the medium term. (**no change**)
- In light of global economic and financial developments and muted inflation pressure, the Committee will be patient as it determines future adjustments to the target rate range. (**no change**)
- Future timing and size of adjustments to fed funds target range will be based on labor market conditions, inflation indicators and readings on financial and international development. (**no change**)

For release at 2 p.m.

EDT ~~March 20~~ **May 1**, 2019

Information received since the Federal Open Market Committee met in ~~January~~ **March** indicates that the labor market remains strong ~~but~~ **and** that ~~growth of~~ economic activity ~~rose at a~~ **has slowed from its** solid rate. ~~Job in the fourth quarter. Payroll employment was little changed in February, but job~~ gains have been solid, on average, in recent months, and the unemployment rate has remained low. ~~Growth~~ **Recent indicators point to slower growth** of household spending and business fixed investment ~~slowed~~ in the first quarter. On a 12-month basis, overall inflation ~~and has declined, largely as a result of lower energy prices;~~ inflation for items other than food and energy **have declined and are running below** ~~remains near~~ 2 percent. On balance, market-based measures of inflation compensation have remained low in recent months, and survey based measures of longer-term inflation expectations are little changed.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. In support of these goals, the Committee decided to maintain the target range for the federal funds rate at 2-1/4 to 2-1/2 percent. The Committee continues to view sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective as the most likely outcomes. In light of global economic and financial developments and muted inflation pressures, the Committee will be patient as it determines what future adjustments to the target range for the federal funds rate may be appropriate to support these outcomes.

In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2 percent inflation objective. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.

Voting for the FOMC monetary policy action were: Jerome H. Powell, Chair~~man~~; John C. Williams, Vice Chair~~man~~; Michelle W. Bowman; Lael Brainard; James Bullard; Richard H. Clarida; Charles L. Evans; Esther L. George; Randal K. Quarles; and Eric S. Rosengren.

Decisions Regarding Monetary Policy Implementation

The Federal Reserve has made the following decisions to implement the monetary policy stance announced by the Federal Open Market Committee in its statement on March 20, 2019:

- The Board of Governors of the Federal Reserve System voted unanimously to maintain the interest rate paid on required and excess reserve balances at ~~2.35~~ **40** percent, effective ~~May 2~~ **March 21**, 2019. **Setting the interest rate paid on required and excess reserve balances 15 basis points below the top of the target range for the federal funds rate is intended to foster trading in the federal funds market at rates well within the FOMC's target range.**
- As part of its policy decision, the Federal Open Market Committee voted to authorize and direct the Open Market Desk at the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the System Open Market Account in accordance with the following domestic policy directive:
“Effective ~~May 2~~ **March 21**, 2019, the Federal Open Market Committee directs the Desk to undertake open market operations as necessary to maintain the federal funds rate in a target range of 2-1/4 to 2-1/2 percent, including overnight reverse repurchase operations (and reverse repurchase operations with maturities of more than one day when necessary to accommodate weekend, holiday, or similar trading conventions) at an offering rate of 2.25 percent, in amounts limited only by the value of Treasury securities held outright in the System Open Market Account that are available for such operations and by a per-counterparty limit of \$30 billion per day.

Effective May 2, 2019, the Committee directs the Desk to **roll** ~~continue rolling~~ over at auction the amount of principal payments from the Federal Reserve’s holdings of Treasury securities maturing during each calendar month that exceeds \$~~15~~ **30** billion. **The Committee directs the Desk,** ~~and~~ to continue reinvesting in agency mortgage-backed securities the amount of principal payments from the Federal Reserve’s holdings of agency debt and agency mortgage-backed securities received during each calendar month that exceeds \$20 billion. Small deviations from these amounts for operational reasons are acceptable.

The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve’s agency mortgage-backed securities transactions.”

- In a related action, the Board of Governors of the Federal Reserve System voted unanimously to approve the establishment of the primary credit rate at the existing level of 3.00 percent.

This information will be updated as appropriate to reflect decisions of the Federal Open Market Committee or the Board of Governors regarding details of the Federal Reserve's operational tools and approach used to implement monetary policy.

More information regarding open market operations and reinvestments may be found on the Federal Reserve Bank of New York's website.

Source: The Federal Reserve

<https://www.federalreserve.gov/newsevents/pressreleases/monetary20190501a.htm>