FOMC, October 30, 2019, Press Release - Changes from September 18, 2019?

EXPERIENTIAL WEALTH
FIDUCIA PERPETUA

Summary

- Labor market remains strong with solid job gains. (**no change**)
- Economic activity has been rising at a moderate rate. (**no change**)
- Unemployment rate has remained low. (**no change**)
- Growth of household spending has been rising at a strong pace. (**changed**)
- Growth of business fixed investment and exports remain.weak (**no change**)
- Inflation (core) is running below 2%. (**no change**)
- Market-based measures of inflation compensation remain low (from "have declined"). (**no change**)
- Survey-based measured of longer-term inflation expectations are little changed (**no change**)
- Risks: implications of global developments for the economic outlook as well as muted inflation pressures (**no change**)
- Lower the federal funds target rate range at 1-1/2 to 1-3/4 percent. (**change**)
- 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. (**no change**)
- Esther L. George and Eric S. Rosengren preferred to maintain range at 1-3/4 to 2 percent. (**new**)

8460 Tyco Road, Suite E
Vienna, Virginia 22182-2219, U.S.A.
(703) 847-4380, www.ExperientialWealth.com

Press Release

For release at 2 p.m. EDT **October 30** ~~September 18~~, 2019

Information received since the Federal Open Market Committee met in **September** ~~July~~ indicates that the labor market remains strong and that economic activity has been rising at a moderate rate. Job gains have been solid, on average, in recent months, and the unemployment rate has remained low. Although household spending has been rising at a strong pace, business fixed investment and exports **remain weak** ~~have weakened~~. On a 12-month basis, overall inflation and inflation for items other than food and energy are running below 2 percent. Market-based measures of inflation compensation remain low; 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 light of the implications of global developments for the economic outlook as well as muted inflation pressures, the Committee decided to lower the target range for the federal funds rate to 1-**1/2 to 1-**3/4 ~~to 2~~ percent. This action supports the Committee's view that sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective are the most likely outcomes, but uncertainties about this outlook remain. **The** ~~As the~~ Committee ~~contemplates the future path of the target range for the federal funds rate, it~~ will continue to monitor the implications of incoming information for the economic outlook ~~and will act~~ as **it assesses the** appropriate **path of the target range for the federal funds rate** ~~to sustain the expansion, with a strong labor market and inflation near its symmetric 2 percent objective~~.

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 monetary policy action were Jerome H. Powell, Chair, John C. Williams,Vice Chair; Michelle W. Bowman; Lael Brainard; **James Bullard;** Richard H. Clarida; Charles L. Evans; and Randal K. Quarles. Voting against this ~~the~~ action were ~~James Bullard, who preferred at this meeting to lower the target range for the federal funds rate to 1-1/2 to 1-3/4 percent; and~~ Esther L. George and Eric S. Rosengren, who preferred **at this meeting** to maintain the target range at ~~2 percent to 2-1/4~~ **1-3/4 percent to 2** percent.

https://www.federalreserve.gov/newsevents/pressreleases/monetary20191030a.htm

Implementation Note issued October 30, 2019

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 October 30, 2019:

- The Board of Governors of the Federal Reserve System voted unanimously to lower the interest rate paid on required and excess reserve balances to 1.55 percent, effective October 31, 2019.

- 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 October 31, 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 1-1/2 to 1-3/4 percent. In light of recent and expected increases in the Federal Reserve's non-reserve liabilities, the Committee directs the Desk to purchase Treasury bills at least into the second quarter of next year to maintain over time ample reserve balances at or above the level that prevailed in early September 2019. The Committee also directs the Desk to conduct term and overnight repurchase agreement operations at least through January of next year to ensure that the supply of reserves remains ample even during periods of sharp increases in non-reserve liabilities, and to mitigate the risk of money market pressures that could adversely affect policy implementation. In addition, the Committee directs the Desk to conduct 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 1.45 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.

  The Committee directs the Desk to continue rolling over at auction all principal payments from the Federal Reserve's holdings of Treasury securities and to continue reinvesting all principal payments from the Federal Reserve's holdings of agency debt and agency mortgage-backed securities received during each calendar month. Principal payments from agency debt and agency mortgage-backed securities up to $20 billion per month will continue to be reinvested in Treasury securities to roughly match the maturity composition of Treasury securities outstanding; principal payments in excess of $20 billion per month will continue to be reinvested in agency mortgage-backed securities. 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 a 1/4 percentage point decrease in the primary credit rate to 2.25 percent, effective October 31, 2019. In taking this action, the Board approved requests to establish that rate submitted by the Boards of Directors of the Federal Reserve Banks of Minneapolis and San Francisco.

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.

https://www.federalreserve.gov/newsevents/pressreleases/monetary20191030a1.htm