INVESTMENT COUNSEL AND MANAGEMENT

FOMC Meeting Update

. . . as summarized by Smith Shellnut Wilson

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The Federal Reserve left interest rates unchanged and stayed on course to hike in December as strong economic growth, higher tariffs and rising wages spur inflation.

The central bank said "economic activity has been rising at a strong rate" and job gains "have been strong," while repeating its outlook for "further gradual" rate increases in a statement released today following a two-day meeting in Washington.

By keeping the door open to a fourth 2018 hike in December, officials are sticking to their gradual upward path, trying to prolong the second-longest U.S. expansion on record without making an error. Leaving monetary policy too loose risks stoking excess inflation and asset bubbles, while tightening too fast could cause a recession.

The unanimous 9-0 decision left the benchmark federal funds rate in a target range of 2% to 2.25%, following eight quarter-point hikes since late 2015. The interest rate the Fed pays banks on excess reserves – - a tool for keeping the effective funds rate within the Fed's target range - - was left unchanged at 2.2%, as expected.

Attached is a side-by-side comparison of the U.S. Federal Open Market Committee statements from November 8, 2018 and September 26, 2018.

Source for the information in this update is Bloomberg News

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FOMC STATEMENTS: SIDE-BY-SIDE

Nov. 8, 2018

Information received since the Federal Open Market Committee met in September indicates that the labor market has continued to strengthen and that economic activity has been rising at a strong rate. Job gains have been strong, on average, in recent months, and the unemployment rate has declined. Household spending has continued to grow strongly, while growth of business fixed investment has moderated from its rapid pace earlier in the year. On a 12-month basis, both overall inflation and inflation for items other than food and energy remain near 2 percent. Indicators of longer-term inflation expectations are little changed, on balance.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that further gradual increases in the target range for the federal funds rate will be consistent with sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective over the medium term. Risks to the economic outlook appear roughly balanced.

In view of realized and expected labor market conditions and inflation, the Committee decided to maintain the target range for the federal funds rate at 2 to 2-1/4 percent.

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, Chairman; John C. Williams, Vice Chairman; Thomas I. Barkin; Raphael W. Bostic; Lael Brainard; Richard H. Clarida; Mary C. Daly; Loretta J. Mester; and Randal K. Quarles.

Sept. 26, 2018

Information received since the Federal Open Market Committee met in August indicates that the labor market has continued to strengthen and that economic activity has been rising at a strong rate. Job gains have been strong, on average, in recent months, and the unemployment rate has stayed low. Household spending and business fixed investment have grown strongly. On a 12-month basis, both overall inflation and inflation for items other than food and energy remain near 2 percent. Indicators of longer-term inflation expectations are little changed, on balance.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that further gradual increases in the target range for the federal funds rate will be consistent with sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective over the medium term. Risks to the economic outlook appear roughly balanced.

In view of realized and expected labor market conditions and inflation, the Committee decided to raise the target range for the federal funds rate to 2 to 2-1/4 percent.

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.

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