INVESTMENT COUNSEL AND MANAGEMENT

FOMC Meeting Update

. . . as summarized by Smith Shellnut Wilson

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The Federal Reserve raised borrowing costs for the fourth time this year, ignoring a stock-market selloff and defying pressure from President Donald Trump, while dialing back projections for interest rates and economic growth in 2019.

By trimming the number of rate hikes they foresee in 2019, to two from three, policy makers signaled that they may soon pause their monetary tightening campaign. Officials maintained a median projection of one move in 2020.

Chairman Jerome Powell and his colleagues said "economic activity has been rising at a strong rate" in a statement Wednesday following a two-day meeting in Washington. While officials said risks to their outlook "are roughly balanced," they flagged threats from a softening world economy.

Wednesday's unanimous 10-0 decision lifted the target range for the federal funds rate from 2.25% to 2.5%.

Officials also altered key language in their statement, saying the FOMC "judges that some further gradual increases" in rates will likely be needed, a shift from previous language saying the FOMC "expects that further gradual increases" would be required.

In addition, the median estimate among policy makers for the so-called "neutral fed funds rate" in the long run fell to 2.75%, from 3% in the previous forecasts from September.

Attached is a side-by-side comparison of the U.S. Federal Open Market Committee statements from December 19, 2018 and November 8, 2018.

Source for the information in this update is Bloomberg News

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FOMC STATEMENTS: SIDE-BY-SIDE

Dec. 19, 2018

Information received since the Federal Open Market Committee met in November 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 remained low. 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 judges that some 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. The Committee judges that risks to the economic outlook are roughly balanced, but will continue to monitor global economic and financial developments and assess their implications for the economic outlook.

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 2-1/4 to 2-1/2 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; Michelle W. Bowman; Lael Brainard; Richard H. Clarida; Mary C. Daly; Loretta J. Mester; and Randal K. Quarles.

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.

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