

**February 20, 2019**

***Fed Alert***

Federal Reserve officials widely favored ending the runoff of the central bank's balance sheet this year while expressing uncertainty over whether they would raise interest rates again in 2019, in response to weakness in global economic growth, a tightening in financial conditions and a concomitant easing in inflationary pressures, according to minutes of the central bank's late-January meeting released today.

The upshot is that many market participants now expect the Fed to leave rates unchanged throughout this year, before a further expected deterioration in economic growth forces the central bank to cut rates in 2020. Should the Fed stop its current balance-sheet rundown program, it would likely begin reinvesting the proceeds of its MSB payments and maturities into U.S. Treasury securities, since it wants to hold only the latter in the long run.