

INVESTMENT COUNSEL AND MANAGEMENT

FOMC Meeting Update

... as summarized by Smith Shellnut Wilson

SMITH
SHELLNUT
WILSON

The Federal Reserve today indicated a readiness to cut interest rates for the first time in more than a decade to sustain a near-record-long U.S. economic expansion, citing “uncertainties” in their outlook.

SSW Research Department
Office: (601) 605-1776
Contact: Ray Thompson
Email: rayt@ssw1776.com

While policy makers kept the current fed funds range of 2.25% to 2.50% intact, they dropped a reference in their statement to being “patient” on borrowing costs and forecasted a wider miss of their 2% inflation target this year.

The FOMC vote was not unanimous, with St. Louis Fed President James Bullard dissenting in favor of a quarter-point rate cut. His vote marked the first dissent under Jerome Powell’s tenure as chairman.

After the announcement, fed funds futures contracts indicated a 100% probability of a cut at the next FOMC meeting, scheduled for the end of July.

Attached is a side-by-side comparison of the U.S. Federal Open Market Committee statements from June 19, 2019 and May 1, 2019.

Source for the information in this update is Bloomberg News

Smith Shellnut Wilson, LLC
150 Fountains Blvd., Ste A
Madison, MS 39110-6377
Office: (601) 605-1776
Fax: (601) 605-1710
Website: www.ssw1776.com

June 2019

Information received since the Federal Open Market Committee met in **May** indicates that the labor market remains strong and that economic activity **is rising** at a **moderate** rate. Job gains have been solid, on average, in recent months, and the unemployment rate has remained low. **Although** growth of household spending **appears to have picked up from earlier in the year, indicators of business fixed investment have been soft.** 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 have **declined**; 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, **but uncertainties about this outlook have increased.** In light of **these uncertainties** and muted inflation pressures, the Committee will **closely monitor the implications of incoming information for the economic outlook and will act as appropriate 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; Richard H. Clarida; Charles L. Evans; Esther L. George; Randal K. Quarles; and Eric S. Rosengren. **Voting against the action was James Bullard, who preferred at this meeting to lower the target range for the federal funds rate by 25 basis points.**

May 2019

Information received since the Federal Open Market Committee met in **March** indicates that the labor market remains strong and that economic activity **rose** at a **solid** rate. Job gains have been solid, on average, in recent months, and the unemployment rate has remained low. Growth of household spending **and business fixed investment slowed in the first quarter.** On a 12-month basis, overall inflation and inflation for items other than food and energy **have declined and** are running below 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.

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