FOMC Meeting Update

. . . as summarized by Smith Shellnut Wilson

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Federal Reserve officials continued to project near-zero interest rates at least through 2023 despite upgrading their U.S. economic outlook amid mounting inflation worries in financial markets.

The decision came on a volatile day for investors, with Treasury yields surging ahead of the announcement.

"Following a moderation in the pace of recovery, indicators of economic activity and employment have turned up recently, although the sectors most adversely affected by the pandemic remain weak," The Federal Open Market Committee said in its policy statement today. "Inflation continues to run below 2%."

Seven of 18 officials predicted higher rates by the end of 2023 compared with five of 17 at the December meeting, showing a slightly larger group who see an earlier start than peers to withdrawal of ultra-easy monetary policy, according to the FOMC's quarterly economic projections also issued today.

The Fed expects that a bump in inflation this year will be short-lived. Officials saw their preferred measure of price pressures slowing to 2% next year following a spike to 2.4% in 2021, according to the projections. Excluding food and energy, inflation is forecast to hit 2.2% this year and fall to 2% in 2022.

Massive fiscal support and widening vaccinations that will help reopen the economy have buoyed investor expectations for rate increases and inflation, propelling Treasury yields higher as the Fed keeps adding stimulus.

U.S. central bankers left asset purchases unchanged at $120 billion a month and repeated that this pace would be maintained until "substantial further progress" is made on their employment and inflation goals.

The target range of the benchmark federal funds rate was also kept at zero to 0.25%, where it's been since last March.

Please see attached side-by-side comparison of the U.S. Federal Open Market Committee statements from March 17, 2021 and December 16, 2020.

Source for the information in this update is Bloomberg News.

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March 17, 2021

The Federal Reserve is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals.

The COVID-19 pandemic is causing tremendous human and economic hardship across the United States and around the world. Following a moderation in the pace of the recovery, indicators of economic activity and employment have turned up recently, although the sectors most adversely affected by the pandemic remain weak. Inflation continues to run below 2 percent. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses.

The path of the economy will depend significantly on the course of the virus, including progress on vaccinations. The ongoing public health crisis continues to weigh on economic activity, employment, and inflation, and poses considerable risks to the economic outlook.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. With inflation running persistently below this longer-run goal, the Committee will aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent. The Committee expects to maintain an accommodative stance of monetary policy until these outcomes are achieved. The Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time. In addition, the Federal Reserve will continue to increase its holdings of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month until substantial further progress has been made toward the Committee's maximum employment and price stability goals. These asset purchases help foster smooth market functioning and accommodative financial conditions, thereby supporting the flow of credit to households and businesses.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on public health, labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Thomas I. Barkin; Raphael W. Bostic; Michelle W. Bowman; Lael Brainard; Richard H. Clarida; Mary C. Daly; Charles L. Evans; Randal K. Quarles; and Christopher J. Waller.

Jan. 27, 2021

The Federal Reserve is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals.

The COVID-19 pandemic is causing tremendous human and economic hardship across the United States and around the world. The pace of the recovery in economic activity and employment has moderated in recent months, with weakness concentrated in the sectors most adversely affected by the pandemic. Weaker demand and earlier declines in oil prices have been holding down consumer price inflation. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses.

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