

# FOMC Update

... as summarized by Smith Shellnut Wilson

The Federal Reserve today held interest rates at near-zero, but hinted that the U.S. economic recovery is getting closer to a place where it may not need as much monetary support.

The Federal Open Market Committee kept its benchmark interest rate in the range of 0% to 0.25%, but provided an update on its December 2020 commitment to purchase at least \$120 billion a month in U.S. Treasuries and agency mortgage-backed securities until the recovery look like it was making “substantial further progress.”

“Since then, the economy has made progress toward these goals, and the Committee will continue to assess progress in coming meetings.” the FOMC statement said. The decision was unanimous.

A wide variety of inflationary readings since its June meeting six weeks ago have pointed to further price pressures. The Consumer Price Index, one major measure of inflation, showed prices increasing by 5.4% on a year-over-year basis in June, the fastest pace since August 2008.

Rising prices have spurred some chatter within the Fed over the possibility of more persistent inflation. Bust some of the high inflation readings over the past few months have been the result of price pressures from microchip shortages (i.e., in car and truck prices) and the ways in which inflation itself is measured (called “base effects”).

Fed Chairman Jerome Powell told Congress two weeks ago that the jury is still out on how persistent inflation will prove to be, arguing that the next six months will paint a clearer picture.

The Fed also made an announcement on its intention to set up “standing repo facilities” to improve the plumbing of the financial system in order to maintain its smooth functioning in times of market stress.

Please click the link for a [side-by-side comparison](#) of the U.S. Federal Open Market Committee statements from July 28, 2021 and June 16, 2021.

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