FOMC Update

. . . as summarized by Smith Shellnut Wilson

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The Federal Reserve raised interest rates by a quarter percentage point and signaled six more such hikes this year, launching a campaign to tackle the fastest inflation in four decades even as risks to economic growth mount. Policy makers led by Chair Jerome Powell voted 8-1 to lift their key rate to a target range of 0.25% to 0.5%, the first increase since 2018, after two years of holding borrowing costs near zero to cushion the economy from the pandemic. St. Louis Fed President James Bullard dissented in favor of a half-point hike, the first vote against a decision since September 2020.

In the Fed's so-called dot plot, officials' median projection was for the benchmark rate to end 2022 at about 1.9% -- in line with traders' bets but higher than previously anticipated – and then rise to about 2.8% in 2023. They estimated a 2.8% rate in 2024, the final year of the forecasts, which are subject to even more uncertainty than usual given Russia's invasion of Ukraine and new COVID-19 lockdowns in China are buffeting the global economy.

The Fed said it would begin allowing its $8.9 trillion balance sheet to shrink at a "coming meeting" without elaborating. The purchases of Treasuries and mortgage-backed securities, which concluded this month, were intended to provide support to the economy during the pandemic and shrinking the balance sheet accelerates the removal of that aid.

Please click the link for a side-by-side comparison of the U.S. Federal Open Market Committee statements from March 16, 2022 and January 26, 2022.

Source: Bloomberg News

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