# FOMC Stays Out Of The Fray

- **All policy measures were left unchanged**
- **Downside risks received more attention…**
- **...but the committee judges that "right now" they're doing enough**
- **The statement contained only minor wording changes to tense**
- **The December meeting will offer two modest changes to communications**

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As expected, the FOMC stayed fully out of the way of the election this afternoon. There was no reason for them to do anything today, not least of which because the whole state of taxation and spending policies into 2021remains up in the air with the Presidential and Senate election results still in play. The tone of the press conference leaned toward continuing to being open to doing more. Markets shook off the communications.

There were only minor wording changes in the description of current conditions in the policy statement compared to the September version. There were no changes elsewhere in the statement including with respect to bond purchase guidance. The statement had unanimous support as expected and the general tone of the press conference was more focused upon downside risks.

The only minor changes to the statement language were in the current conditions paragraph. One change was that they now say that financial conditions "remain accommodative" instead of "have improved" which may simply be acknowledgement of the improvement over time or a concern about stall risk. It's more likely the former in my view.

Second, they shifted to the past tense in describing the decline in oil prices that "have been" holding down CPI" whereas previously they were saying "are holding down CPI." This too could simply be a truism, or it could be a flag they think headline CPI is in the process of bottoming as 2021 beckons which is a reasonable view.

Third, there was also a shift in tense behind saying "economic activity and employment have continued to recover" rather than "have picked up in recent months."

Powell's Q&A noted that the FOMC discussed the asset purchase program but "right now we figure it is delivering about the right amount of support needed."

Part of the rationale for holding back on further alterations may have been illuminated by Powell's reference to how they though the second wave of Covid-19 cases over the summer in the US would weigh on economic activity, but the economy turned out to be fairly resilient. The implication here is that Powell wants to see hard proof going forward but for now they're not in a rush to expand stimulus. The tone of his comments flagged downside risk keyed off slowing momentum and rise covid-19 cases, but that “today, we don’t think that’s necessary” in reference to altering the size, composition or duration of asset purchases.

Powell noted that the December meeting’s communications will change in two modest ways. One is that they will now release the whole Summary of Economic Projections materials at the same time as the statement (2pmET) instead of three weeks later in the minutes. Second, they will add two new graphs that show how the balance of risks has changed by participant over time. That could offer useful information on the breadth of the policy bias over time.

Please see the attached statement comparison.

## RELEASE DATE: NOVEMBER 5, 2020

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. ***Economic activity and employment have continued to recover*** but remain well below their levels at the beginning of the year. 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.

The path of the economy will depend significantly on the course of the virus. The ongoing public health crisis will continue to weigh on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term.

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, over coming months the Federal Reserve will increase its holdings of Treasury securities and agency mortgage-backed securities at least at the current pace to sustain smooth market functioning and help foster 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; Michelle W. Bowman; Lael Brainard; Richard H. Clarida; Mary C. Daly; Patrick Harker; Robert S. Kaplan; Loretta J. Mester; and Randal K. Quarles. Ms. Daly voted as an alternate member at this meeting.

## RELEASE DATE: SEPTEMBER 16, 2020

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. ***Economic activity and employment have picked up in recent months*** but remain well below their levels at the beginning of the year. Weaker demand and significantly lower oil prices **are holding down** consumer price inflation. **Overall financial conditions have improved** in recent months, 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. The ongoing public health crisis will continue to weigh on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term.

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, over coming months the Federal Reserve will increase its holdings of Treasury securities and agency mortgage-backed securities at least at the current pace to sustain smooth market functioning and help foster 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; Michelle W. Bowman; Lael Brainard; Richard H. Clarida; Patrick Harker; Loretta J. Mester; and Randal K. Quarles. **Voting against the action were Robert S. Kaplan**, who expects that it will be appropriate to maintain the current target range until the Committee is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals as articulated in its new policy strategy statement, but prefers that the Committee retain greater policy rate flexibility beyond that point; **and Neel Kashkari**, who prefers that the Committee to indicate that it expects to maintain the current target range until core inflation has reached 2 percent on a sustained basis.

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