

*[theme music]*

*A light gray screen with dark gray text that reads 'Federal Open Market Committee' scrolls across the screen in segments then scales down to the full title. Scene fades to white.*

*A male host named Tim Sustak stands in front of a gray wall with two dark, wooden books shelves with various books and decorations on them. He is wearing a brown plaid shirt. Below him is a screen width gray graphic with a blue border on top and white letters that read, 'Federal Open Market Committee Update-Tim Sustak, chief credit officer-March 22, 2019.'*

**Tim:** Hi, I'm Tim Sustak, Chief Credit Officer with Vizo Financial and this is your FOMC update for the March 2019 meeting.

**Tim:** Well, the markets got what they wanted out of the March FOMC meeting, as the FOMC left rates alone and turned more dovish concerning the economy.

**Tim:** In its statement following the meeting, the FOMC chose to leave the target fed funds range unchanged at 2.25% on the lower end, and 2.50% on the upper end. They indicated that overall economic activity slowed from its solid rate in the fourth quarter, but that the labor market remains strong. On the inflation front, they said that on a 12-month basis overall inflation has declined largely as a result of lower energy prices, though inflation not including food and energy remains near 2%. The committee said that it continues to view sustained expansion of economic activity, strong labor market conditions, and inflation near the committee's 2% goal as the most likely outcome moving forward. The committee also indicated that it would be patient as it determines future adjustments to the target fed funds range.

**Tim:** We also received a new set of economic projections from the Fed with this meeting. The famous dot plot now predicts no rate increases in 2019 and one 25 basis point increase in 2020. That is opposed to the December projection of two 25 basis point increases in 2019 and one 25 bp increase in 2020. The longer run estimate for the fed funds rate remained at 2.8%. This is a pretty big change for the 2019 estimate, and one that is consistent with the dramatic dovish turn the FOMC has taken in recent months. A look at chairman Powell's press conference, after the break.

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*[Jazz music playing]*

**Male Voice:** I go to a lot of security conferences and this one particularly focuses on credit unions and credit union technologies.

**Female Voice:** I think other credit unions would benefit from this conference because it gives you an opportunity to step away from your desk and just think about the risks around you and ways to mitigate the risks and understand the risks and also what's happening with future threats to come into the credit union.

**Male Voice:** If you're part of a credit union, come to visit. You'll get the information that is particular to credit unions.

*[Jazz music playing]*

*Fades to Vizo Financial logo on gray background.*

*Screen fades to black.*

**Tim:** Welcome back! In his press conference following the meeting, Chairman Powell indicated the US Economy was in a good place and that the committee expects the U.S. economy will grow at a solid pace in 2019, though slower than the very strong pace of 2018. He noted that some recent developments bear watching, including the pace of growth slowing somewhat more than expected, slowing growth in Europe and China, and unresolved policy issues like Brexit and trade negotiations.

**Tim:** Additionally, payroll growth, retail sales growth, and business fixed investment growth in the U.S. are sending mixed signals but appear overall to be slowing. The chairman indicated the committee discussed what to make of the varied indicators, but they feel comfortable that the fed funds rate is set appropriately for the current conditions; that is to say that the current fed funds rate is now in the broad range of estimates for neutral, a rate that neither stimulates or restrains the economy. Regarding the pace of balance sheet normalization, the chairman said that the Fed would slow the runoff of assets starting in May, and would cease runoff entirely in September of this year.

**Tim:** So, the dovish tone of the fed continues to get stronger. Going into the meeting the markets were hoping to see the dot plot indicate no additional rate increases for the year, the fed to acknowledge a slowing of the economy, and a defined end to balance sheet runoff. Seems the markets got just what they wanted!

**Tim:** That's the update for the March FOMC meeting. Thanks for watching!

*[ theme music]*

*Screen fades to a light gray screen and Vizo Financial logo appears. Vizo Financial logo fades out and disclaimer text appears on screen.*

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