

[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. 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 18, 2020.'

Tim: Hi, I'm Tim Sustak, chief credit officer with Vizo Financial, and this is your FOMC update for March 2020.

Tim: Well, I'm not sure where to begin. Trying to discuss all that is happening in a short video is an exercise in futility, so we are going to try to hit the high points. The Fed has taken several actions in recent days to support the economy in the face of the coronavirus pandemic. First, they cut the fed funds rate by 150 basis points in the past two weeks, with a 50-basis point cut coming on March 3rd, and a 100-basis point cut on March 16th. This is the most significant round of rate actions by the committee since the great recession and takes us back to the 0 to 25 bp fed funds range we had at that time.

Tim: The actions are designed to support the economy as it weathers the storm brought about by coronavirus, and also to help market confidence given the Dow has dropped about 30% of its value from its highs back in February. The committee indicated that it will maintain the target fed funds range at the current level until it is confident the economy has weathered recent events and is back on track to reach the fed's goals of maximum employment and price stability. Along with the fed funds rate cuts, the fed reduced what it is paying on excess reserves to 10 basis points. This forced us at your corporate to reduce deposit rates, which we communicated to our membership via an e-mail sent out on Monday, March 16.

Tim: With the unscheduled meeting held by the Fed on March 15th to decide on the latest rate action, it cancelled the meeting scheduled for March 17 and 18, and decided not to release its Summary of Economic Projections that it normally would at the March meeting given there are so many unknowns currently permeating the economic environment.

Tim: In addition to cutting rates, the Fed has also taken additional actions to ensure that ample liquidity is available in the system, to help ensure that markets continue to function as normally as possible, and to facilitate the flow of credit to households and businesses. It has begun the purchase of at least \$500 billion in treasury securities and \$200 billion in agency mortgage-backed securities and will purchase them at a pace deemed appropriate to support smooth market functioning for these securities. It will also reinvest principal payments of these securities in its existing portfolio.

Tim: Additionally, the committee cut the discount window rate by 150 basis points, leaving it at 25 basis points, and is offering loans out to 90 days. This is designed to support liquidity and stability in the banking system and to help banks meet the demand for credit from households and businesses. The Fed has also taken other actions to help market functioning and ensure liquidity, such as working with its central bank partners abroad to support the markets for borrowing and lending dollars overseas, expanding repurchase operations designed to keep funds flowing to banks, and supporting the

commercial paper market to boost investor confidence and make sure companies can get the funding they need.

Tim: At this point, the Fed is using all of the tools in its kit to support the economy, the financial markets, and give all of the players confidence that we can get through this coronavirus outbreak over time. We'll take a look at Chairman Powell's thoughts on what the Fed has done, after the break.

Screen fades to black

[music with heavy beat playing]

Dark blue background with flashing lights and smoke. Words appear on screen that read, 'Cybercrime is a \$1.5 trillion industry. 97% of hacking attempts are made through social engineering. Only 45% of organizations provided formal security awareness training for employees.'

Male voice: Don't want to be a statistic?

Male voice: Vizo Financial's social engineering testing services can make the difference. Our security experts will see just how well your credit union's staff handle the same social engineering attempts real hackers would use.

Male voice: And with the results, you can tailor your security awareness training program for the better.

Male voice: Be a proponent of security awareness. Be ready for the risks. But don't be a statistic.

Male voice: Get Vizo Financial's social engineering training services today!

Vizo Financial logo appears on dark background. White words appear that reads, 'Social Engineering Testing'.

Screen fades to black

Tim: Welcome back! After the FOMC's latest unscheduled meeting on March 15, Chairman Powell held a conference call to update the press. He told them that he and his committee members believe that the economy was on a strong footing going into the coronavirus challenge, but that the spread of the virus will have significant economic impacts in the near term.

Tim: Those impacts are already being felt in places like the travel, tourism, and hospitality industries; global supply chains; and the financial markets. Specifically, he talked about the market for treasury securities, which he described as generally the most liquid of all markets and one that serves as a benchmark by which many other financial assets are valued. He indicated this market helps businesses and households earn a safe return and manage risks, and when stresses arise here they can cause issues in the entire financial system and economy.

Tim: Likewise, the agency mortgage-backed securities market supports the mortgage market and facilitates home ownership. This is why the committee announced the plan to purchase securities in the treasury and agency mortgage backed markets, to relieve recent signs of stress and impaired liquidity that can ultimately harm the economy.

Tim: The Chairman said the primary purpose of the purchases was to restore smooth market functioning, though they will also foster more accommodative financial conditions. He went on to

encourage banks to take advantage of the Fed's discount window to help meet demands for credit from businesses and households. Overall, the Chairman said the committee believes their recent actions will help American families and businesses weather the difficult period we are in and will help things return to normal faster when the coronavirus threat wanes.

Tim: The Chairman went on to answer a series of questions from the press after the conference. Some interesting takeaways there revolved around the Chairman explaining the fact that the Fed does not really have the tools to directly help individuals and small business, and that the Fed's actions must be augmented with fiscal policy which will be critical to help specific groups. As to whether the committee was considering negative rates, the Chairman indicated that the committee does not see negative rates as likely to be an appropriate policy response in the United States.

Tim: So, here we are with another crisis to face. The Fed has made it clear it's using all of the tools in its kit to help us get through this challenge in the best way possible. However, as the Chairman indicated on his call, we are facing a multi-faceted problem that requires action and intervention from many different players in order to craft an effective solution. We all have a part to play in order for our society to tackle this challenge and make our way to sunnier skies, and as a credit union community I know we will play our part in taking care of our members and each other in the best way possible.

Tim: That's the FOMC update for March. Thanks for watching and be well!

Fades to Vizo Financial logo V and a red heart and the words, "CUs" in green on gray background. The logo fades into the Vizo Financial logo. Vizo Financial logo fades out and disclaimer text appears on screen.

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