

*[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 sits in front of a white wall with a fireplace with various decorations on top of it. Below him is a screen width gray graphic with a blue border on top and white letters that reads, 'Federal Open Market Committee Update- Tim Sustak Chief Credit Officer March 18, 2021.'*

**Tim:** Hi, I'm Tim Sustak, chief credit officer with Vizo Financial, and this is your FOMC update for March 2021.

**Tim:** The markets waited in anticipation of the March FOMC meeting, not so much because there was thought of a rate change, but for guidance as to the committee's view on economic growth, inflation, and the timing of future rate moves. As expected, the Fed maintained the current fed funds target range at a level of 0-25 basis points, as well as the rate on required and excess reserves at 10 basis points. Further, they maintained their commitment to increase holdings of treasury securities by at least \$80 billion per month, and agency mortgage-backed securities by at least \$40 billion per month.

**Tim:** The post meeting statement changed very little with the committee now simply saying that indicators of employment and economic activity have improved recently, that sectors most hit by the crisis remain weak, and that inflation continues to run below their 2% target.

**Tim:** More importantly, it is the end of a quarter, so we got another peak at the Fed's economic projections. The focus is on the dot plot, or the Fed's expectation for future rate increases. The median expectation did not change given that eleven of eighteen participants still expect the funds rate to remain unchanged through 2023. However as opposed to December's projection, four participants now see a rate increase in 2022 instead of one, and seven now see an increase by 2023 instead of five. So, the projection changed to some degree in favor of an earlier rise in rates. We'll take a look at what Chairman Powell had to say at his press conference, after the break.

*[action music playing throughout]*

*Close up of match against black background. White words to the left that read 'Vizo Financial presents'.*

*Match lights up. Spark travelling along bottom of screen left to right. Words 'Risk Management Conference 2021' in white at top. Blue letters moving in the black background.*

*Spark travelling along bottom of screen. Black and white images of speakers quickly appear and disappear on left of screen. 'Risk Management Conference 2021' in white flashes on and off.*

*Man in white shirt and tie with glasses writing with a marker on glass in front of him in an office. Another man to the right in a plaid shirt looks at the glass. Computer graphics flash on screen quickly.*

*Screen fades to black.*

*[Fast rock music playing]*

*Spark travelling along bottom of screen left to right. Words 'A Virtual Event April 14-16, 2021' in white at top. Blue letters moving in the black background.*

*Blue binary code against black background. Spark travelling along bottom of screen left to right. White words appear that read, 'This year's speakers'*

*Spark travelling along bottom of screen left to right. Two computer screens with image of a man wearing a suit and tie with glasses on left computer screen and man with dark hair in a suit on right screen. White words appear at top that reads, 'Randy Coneby Risk to Reward (R2R)' and 'Adam Hart Charles Rive Associates'*

*Grassy field. Spark travelling along bottom of screen left to right. A suitcase sits on the ground with a laptop on top of it. A hand is typing. The laptop screen is black with white words that read, 'Brian Knight NASCUS'*

*Spark travelling along bottom of screen left to right. Man holding a tablet. Keyboard on desk in background. The tablet has a black screen with blue binary code with a picture of a man in a suit with glasses on to the left of the screen and a blonde-haired smiling woman to the right of the screen. The words, 'Laura Faulkner Deloitte and Mark Clarke Vizo Financial' in white slide onto the screen.*

*Close up of person wearing eyeglasses. Computer code reflecting onto the lenses. A laptop and notebook. Spark travelling along bottom of screen left to right. Hands holding a mobile phone with an image of a man in a suit wearing glasses. The words, 'Michael Berman Ncontracts, Timothy Hoy Mette, Evans & Woodside and Randy Marsicano WolfPAC Solutions' appear in white.*

*Spark travelling along bottom of screen left to right. Words 'Virtual Networking Activities' in white at top. Blue letters moving in the black background. Black background with wine glass and white letters that read, 'Virtual Wine Tasting with Laurie Forster The Wine Coach'*

*Brown background with chocolates and white words that read, 'Flavor of Chocolate Hosted by The Hershey Story Museum'*

*Black screen with spark traveling across the bottom. White words that read, 'Risk Management Conference Register now at vfccu.org' appear.*

*Screen fades to black.*

**Tim:** Welcome back! The Chairman's press conference after the meeting addressed many of the same topics that the Fed has addressed throughout the crisis. The Chairman did give an update on employment indicating that labor market activity has improved recently, adding 379,000 jobs in February, with the leisure and hospitality sector recovering about two-thirds of the jobs lost in December and January.

**Tim:** He also noted though, that the sector is still down over 3 million jobs from where it was at the start of the pandemic. Regarding inflation, the Chairman said measures will rise in the coming months,

partially because the low readings from March and April from last year will be removed from 12-month calculations, but also as inevitable bottlenecks happen as the economy opens up and the supply side may temporarily not be able to meet demand.

**Tim:** He stressed though, that the committee views these inflation pressures as transitory and not of the persistent variety the committee is looking for regarding a change in monetary policy. Watching the question-and-answer session after the Chairman's prepared remarks, it is very clear that everyone wants to be in the business of trying to predict when the Fed will remove policy accommodation but the Fed itself.

**Tim:** The Chairman made it clear more than once that the committee is looking for three things: labor market conditions consistent with the committee's estimate of maximum employment, inflation that has reached 2% and not on a transitory basis, and inflation that is on track to run moderately above 2% for some time. When the committee sees that data, it will react with adjustments to monetary policy, which he indicated would be clearly communicated well in advance.

**Tim:** Though we all want to know when the Fed will adjust monetary policy, what they are trying to tell us is its worthless to try to predict when it will happen because no one knows, not even the Fed, until the data they are monitoring dictate that a change should be made. That in essence is the difference in this new Fed versus those of old. This Fed will not try to predict what is going to happen and preemptively act, but will let the data tell the story and react accordingly. Try as we may, it will be tough to decipher what is going to happen before the Fed and the data are willing to tell us. 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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