

[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 Jeremy Jenkins 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- Jeremy Jenkins May 2, 2019.'

Jeremy: Hi, I'm Jeremy Jenkins, Member Relations Director with Vizo Financial and this is your FOMC update for the May 2019 meeting.

Jeremy: Though, the markets got what they wanted out of the March FOMC meeting, May was not the same story. The fed funds range was left unchanged, which was expected, but it was chairman Powell's press conference that had everyone's attention.

Jeremy: The statement following meeting did not change much. It indicated 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. The committee said that overall economic activity rose at a solid rate since the March meeting and that the labor market remains strong. Concerning inflation, they said that on a 12-month basis inflation measures have declined and are running below the committee's 2% goal. The committee again indicated that it would be patient as it determines future adjustments to the target fed funds range. Overall, exactly what was expected and nothing to raise any eyebrows. A look at what did get the market's attention after the break.

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[music playing]

Male voice: One of the the things that keeps me coming back to the conference is the fact that the information is relevant to what we're doing.

Female voice: The location is superb. The speakers and the line up are always top notch. I always learn a great deal of information coming to the conferences.

Male voice: The staff has done a fantastic job of making sure that not only is the information pertinent to some of the job and the roles and responsibilities I have at the credit union, but also it gives me a networking opportunity to meet with peers and colleagues.

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Jeremy: Welcome back! In his press conference following the meeting, Chairman Powell seemed to dash the hopes of the markets that have been pricing in a rate cut. Everyone seems to be focusing on the chairman's comments concerning inflation, as soft inflation is what the markets are using to rationalize a rate cut. Chairman Powell explained the committee believes that transitory factors are what is currently holding inflation back, and that they believe inflation will return to the committee's 2% objective over time. Further, the chairman said that earlier in the year the committee was concerned that factors such as "weak global growth, particularly in China and Europe; the possibility of a disruptive Brexit; and uncertainty around unresolved trade negotiations" presented risks to the committee's overall economic outlook. He indicated that the committee feels these risks have moderated.

Jeremy: Overall, the chairman summed it up by indicating that with the strong performance of the economy as of late, muted inflation, and some of the global headwinds seeming to subside, the committee feels continued patience is appropriate in assessing further adjustments in monetary policy. Not exactly commentary from a committee that is leaning towards a rate decrease as its next move, but of a committee that believes it is right where it should be until it finds out more. With that, the markets had to walk back their hopes that the chairman would give a nod to a future rate decrease. The markets have not backed off the rate cut sentiment much though, as they were predicting about a 67% chance of a cut by the end of the year before the meeting, and now see about in a 55% chance.

Jeremy: Another development that the chairman addressed in his press conference concerns the interest rate on excess reserves, which is the rate paid to institutions on reserves they keep at the fed above and beyond what is required. The committee chose to lower the rate on excess reserves 5 basis points in an effort to keep the federal funds rate in the committee's target range. The chairman stressed that "the change does not reflect any shift in the intended stance of monetary policy", and that "the target range for the federal funds rate is our main indicator of the stance of policy, and it remains unchanged." The committee lowered the rate on excess reserves by five basis points twice last year for the same reason as this five-basis point decrease.

Jeremy: That's the update for the May FOMC meeting. Thanks for watching!

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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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