

[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 September 19, 2019.'

Tim: Hi, I'm Tim Sustak, chief credit officer with Vizo Financial, and this is your FOMC update for the September 2019 meeting.

Tim: With no real surprise, the Fed chose to lower the target range for the federal funds rate 25 basis points at its September meeting, which puts the range at 1.75% to 2.00%. The Fed also decided to lower the rate it pays on required and excess reserves by 30 basis points, which now puts the rate at 1.80%.

Tim: The Fed's statement following the meeting did not change much from July. The labor market was again described as strong and economic activity as rising at a moderate rate. The statement was altered a bit to note that household spending has been rising at a strong pace while business fixed investment and exports have weakened. The vote to cut the fed funds rate by 25 basis points was 7-3 in favor, with one member wanting a 50-basis point decrease and two members wanting no change. By no means a unanimous Fed.

Tim: The September meeting also gave us another set of projections from the Fed, including the dot plot projection for the fed funds rate. Based on the median estimate of rates, the fed does not see any additional rate cuts in 2019 or 2020. However, a look at the individual dots is what may show more meaningful information. In reference to where rates are after the September cut, 5 members see no change in 2019, 5 members see a 25-basis point increase, and 7 members see a 25-basis point decrease. In 2020, 2 members see no change, 6 members see a 25-basis point increase, 1 member sees a 50-basis point increase, and 8 members see a 25-basis point decrease. Overall message; a divided Fed that makes it hard to predict what will actually happen in the future. A look at what Chairman Powell had to say at his post-meeting press conference, after the break

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[music playing]

Female voice: Data. Calculations. Modeling and forecasting. Reporting.

Female voice: These things make up the foundation of CECL.

Female voice: These are the hurdles Vizo Financial can help your credit union overcome with our CECL solution powered by ARCSys.

Female voice: Our CECL service will assist you with building that foundation.

Female voice: We bring the tools and the know-how; you bring the information.

Female voice: Together, we'll make CECL seem easy.

Fade to black.

Tim: Welcome back! In his press conference following the meeting, Chairman Powell conveyed a pretty simple message. That is the Fed continues to pursue the goals of maximum employment and stable prices, that overall the economy is still performing well, and that the future course of monetary policy is not preset and will depend on how the economic picture evolves. He indicated that the strong employment picture has helped to support the economy, and recently more people in low to middle income communities are finding opportunities.

Tim: The chairman underscored this as a reason the Fed must work to sustain the expansion, so the strong job market reaches more of those left behind. He mentioned that although weakness in global growth and trade policy uncertainty pose risks to the economy and have changed the Fed's views about the appropriate level of rates, the Fed continues to see the sustained expansion of economic activity, a strong labor market, and inflation near their 2% objective as the most likely economic outcome for the U.S.. Chairman Powell indicated that monetary policy will adjust over time, in an effort to sustain the expansion, as the Fed's views evolve based on the data it receives.

Tim: So, the FOMC maintains the mantra of data dependent monetary policy, and currently projects standing still for a while on rates, at least where the median projection is concerned. Well, the markets aren't buying it, and continue to predict about a 69% chance of more cuts by the end of 2019, and about a 96% chance by the end of 2020. Only time will tell where rates actually go, but it's probably reasonable to think the Fed may be at least a little biased towards lowering rates given their desire to sustain the long-running expansion. In any case, it's a good time to make sure we are paying attention to our balance sheets and scenario analysis, so we are ready for whatever happens regarding rates.

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

Light grey screen appears with a blue graphic with white lettering that reads, 'Thanks for watching.' 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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