

[theme music] A dark background with financial graphs, the words 'FOMC' with money graphics across it scrolls across the screen in segments. FOMC graphic then scales down to the full title in blue that reads, 'FOMC UPDATE'. The scene fades to black. A male host named Tim Sustak stands in front of two bookcases with various books and decorations on them. Below him is a gray graphic with a blue border on top and white letters that read, Federal Open Market Committee Update- Tim Sustak Chief Treasury Officer December 19, 2024.

Tim: Hi, I'm Tim Sustak, chief treasury officer with Vizo Financial, and this is your FOMC update for the December 2024 meeting.

Tim: At its latest meeting, the FOMC chose to reduce the target fed funds range 25 basis points, to a level of 4.25 to 4.50 percent, and they also reduced the rate on reserve balances 25 basis points to a level of 4.40 percent. The decision was widely expected by the marketplace. There were no significant changes to the statement, other than adding the phrase "extent and timing" when describing additional adjustments to the fed funds target range in response to incoming data.

Tim: As it is the end of a quarter, we received another set of Fed economic projections. The median estimate of rate decreases for 2025 was adjusted down to two 25 basis point decreases, versus four 25 basis point increases in the September projection. This corresponds to the Fed's inflation projections for 2025 which increased from the prior projection, showing a level of 2.5% at the end of 2025 for both PCE and core PCE inflation. There are likely a number of reasons for the changes, such as the fact that inflation has been stagnant for a number of readings and is still above the Fed's 2% target, as well as the concern that some of the incoming administration's policies could be inflationary. We'll see what additional information Chair Powell had for us about rates and the economic outlook in his press conference, after the break.

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Tim: Welcome back! Chair Powell gave his prepared remarks to start the press conference. He said the economy has continued to expand at a solid pace with resilient consumer spending, solid labor market conditions, and inflation that has eased significantly over the past two years but remains somewhat elevated relative to the committee's longer-run goal of 2%. He indicated the committee feels the risks to achieving their dual mandate are roughly in balance, and that policy is moving towards a more neutral stance in order to maintain the strength of the economy and labor market while enabling further progress on inflation. He said because the policy stance is less restrictive, the committee can be more cautious in making further policy adjustments.

Tim: In the question-and-answer session of the conference, Chair Powell answered a number of questions about the projected path of interest rates and the economic outlook, particularly around inflation and the labor market. He said that the economy is in a good place, and that there does not need to be more cooling in the labor market to get to the committee's inflation goal. The committee still sees inflation roughly on track, though uncertainty around inflation is higher now given inflation has been stubborn in the second half of this year and there are questions around the possible effects of the incoming administration's policies. The uncertainty around inflation has led to the

projected reduction in rate decreases for 2025, though the committee can still cut as they see further progress on inflation.

Tim: He explained that since the committee has cut 100 basis points in the second half of this year, policy, though still restrictive, is closer to neutral and the committee can afford to slow the pace of rate reductions. He said policy needs to remain restrictive to get the last bit of work done on inflation, and the labor market has held up well and is cooling in an orderly fashion. When asked specifically if he thought the incoming administration's proposed tariff policies would be inflationary, he responded that it is too early to make predictions about tariffs because we do not yet know enough about the policies or how they will be implemented. When asked about the language change in the statement, he said the "extent and timing" phrase was meant to signify that policy is at a place where it is appropriate to slow the pace of rate cuts, not necessarily that the committee will be on hold for an extended period of time.

Tim: Well, The FOMC seems satisfied that there has been much work done to reduce inflation, all the while maintaining a strong labor market and avoiding the recession that has been predicted for some time. Sounds like a soft landing so far, and one the FOMC plans to maintain by now tweaking rates here and there to maintain the desired trajectory. There will certainly be some additional conditions to navigate; some we can see ahead of us, and likely some that we do not yet see. Based on the results so far, the FOMC seems up to the task. That's the FOMC update for December. Thanks for watching and be well.

White screen with blue, red and green paint splashing together to form Vizo Financial logo. Logo fades to a green Vizo Financial logo 'V', a red heart and the words, "CUs" in green on a light gray background. Dark gray words appear underneath that read, 'A Vizo Financial Production'

Logo fades out and disclaimer text appears on screen.

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