

[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'. 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 reads, 'Federal Open Market Committee Update- Tim Sustak Chief Treasury Officer February 1, 2024.

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

At its latest meeting, the FOMC chose to leave the target fed funds range unchanged, at a level of 5.25 to 5.50 percent, and they also maintained the rate on reserve balances at a level of 5.40 percent. The decision was a unanimous one and was as expected by the marketplace. The post meeting statement had a number of changes, the most important being the section that describes "forward guidance", or how the Fed sees its rate actions moving forward. The committee no longer mentioned the possibility of rate hikes. Instead, they mentioned that the risks to achieving their employment and inflation goals are moving into better balance, and that they do not expect it to be appropriate to reduce rates until they gain greater confidence that inflation is moving sustainably down to their 2 percent goal. So, based on what is known now, the thought is rate hikes are over, but it still may be some time until we see rate decreases. We'll see if Chair Powell gave us any additional information about the future of rates in his press conference, after the break.

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Tim: Welcome back! Chair Powell started the press conference with his prepared remarks. He indicated that inflation has eased substantially without a significant increase in unemployment, the economy has shown expansion at a solid pace, and labor market conditions continue to come into better balance; all good news. The problem that remains is inflation is still too high and remains above the longer run goal of 2 percent. He said the committee believes it is likely at the peak in this tightening cycle, and it will likely be appropriate to begin dialing back policy restraint some time this year as long as the economy evolves broadly as expected. However, he also said that the outlook remains uncertain, and the committee is prepared to maintain their restrictive stance for longer if appropriate.

Tim: In the Q and A session, Chair Powell received many questions about the future of rates. The overall picture that Chair Powell painted is of a committee that is confident in the progress it has made on reducing inflation thus far, but one that is still proceeding cautiously and wants to see more good inflation data before they make any policy decision to ease. He indicated that the six months of good inflation data they have is encouraging, but there is still a way to go to be fully confident inflation is moving reliably down to their 2% goal and it is too early to say we have reached a soft landing just yet.

Tim: In fact, Chair Powell said that a rate cut in March is not the base case as the committee is unlikely to reach the level of confidence they need to start reducing rates at that point; and further, he said there was a healthy variation in opinions on the committee concerning the details around rate decreases. He also reiterated though, that everything was data dependent and that is why the committee is keeping its options open. On another topic, he said he felt that the balance sheet runoff had gone very well thus far, and that the committee will have discussions at the March meeting about how that process should move forward.

Tim: So, I think the markets got some of what they wanted with the mention of possible future rate increases dropped from the statement and the shift to a more balanced forward guidance. However, Chair Powell basically taking March off the table at this point for a rate decrease did not initially go over well with the markets, but that's what can happen when you get ahead of yourself and the Fed. The Fed has been very transparent about their thought process this rate cycle, and disappointment only comes when the markets start to believe what they want instead of what the Fed is telling them. That's the FOMC Update for January. 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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