

[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 sits in an office. 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 July 29, 2021.'

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

Tim: No real surprises in the statement following the July FOMC meeting. The committee maintained the current fed funds target range at a level of 0-25 basis points, and the rate on reserve balances at 15 basis points. Effective July 29th, the Fed amended Regulation D to eliminate references regarding an interest rate on required reserves and an interest rate on excess reserves and replaced them with a single interest rate on reserve balances.

Tim: In the post meeting statement, the FOMC also 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. They also indicated the economy and employment situation have continued to strengthen, but that sectors most hurt by the COVID crisis have not fully recovered.

Tim: In relation to tapering treasury and agency holdings, the committee said that the economy has made progress towards its maximum employment and price stability goals, and the committee will continue to assess progress in coming meetings. We'll review Chairman Powell's press conference to see if he gave any more information about the FOMC's plans, after the break.

Fade to black

[Relaxing guitar music]

Various sepia tone shots of people eating and talking. The Vizo logo appears in white over the footage and the words 'Financial Conference Ballantyne Hotel, Charlotte, N.C.' appear below in white.

Male voice: I would recommend this to any credit union management staff. There's a lot that they can pick up here from your peers and I would recommend folks come and come every year.

Female voice: I feel like I always take back something to my credit union that is useful.

Male voice 2: Whether you're a 1-million-dollar credit union or a 100-million-dollar credit union, I recommend it to all credit union sizes it's beneficial to everyone.

Male voice 3: I would definitely recommend this conference to credit unions because the topics are relevant to what everyone is dealing with in the current economic situation, in the current regulatory situation...

Female voice: Its always a learning experience here.

Teal screen comes up with words in white that read, 'Financial Conference Welcome Back Ballantyne'

Fade to black.

Tim: Welcome back! Looking at Chairman Powell's press conference, both his prepared remarks and the question-and-answer session, I think there were two important themes. The first is the committee continues to believe the inflation we are currently experiencing is transitory, and the second is though the committee is discussing asset tapering we are not quite at that point yet.

Tim: Regarding inflation, the Chairman said with the economy reopening and spending rebounding there has been pressure on prices, particularly from supply bottlenecks in some sectors. He indicated the effect of those bottlenecks has been larger than anticipated, but the committee still believes that these transitory supply issues will clear up and inflation will drop back to the FOMC's longer run inflation goal. The Chairman explained that the current inflation readings are really being driven by a handful of goods and services related to the economy reopening.

Tim: He acknowledged that near-term inflation risks were probably to the upside, but said the committee is still convinced inflation should moderate in the mid-term. However, he did mention that if supply bottlenecks, hiring difficulties, and other constraints continue to limit supply adjustments, there is the possibility that inflation could be higher and more persistent than expected. He said if the committee sees signs that the path of inflation or longer-run inflation expectations are moving materially and persistently beyond the committee's goals, they are prepared to adjust monetary policy appropriately.

Tim: On the subject of asset purchases, the Chairman indicated that this was the first meeting where the committee really did a deep dive and discussed how asset purchases might be adjusted regarding timing, pace, and composition. He said that we are not at the taper point yet, but that in the coming meetings the committee will continue to assess the economy's progress towards its goals. As in prior communications he indicated that the timing of the tapering will be dependent on the incoming economic data and that the committee will provide notice before making any changes to asset purchases.

Tim: So, the FOMC is pretty firm in their belief that inflation is transitory, though there seems to be increasing sentiment in the marketplace to the contrary. Only time will tell who is on the right side of that bet. More certain is that asset purchase tapering looks to be getting closer, evidenced by the talks the FOMC is having as well as what is happening in the economy. That's the FOMC update for July. Thanks for watching and be well!

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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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