

*[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 Credit Officer July 28, 2022.'*

**Tim:** Hi, I'm Tim Sustak, chief credit officer with Vizo Financial, and this is your FOMC update for the July 2022 meeting.

**Tim:** At its July meeting, the FOMC chose to raise the target fed funds range 75 basis points to a level of 2.25 to 2.50 percent, and they also increased the rate on reserve balances by 75 basis points to a level of 2.40 percent. The decision to raise rates was a unanimous one by the FOMC and widely expected by the markets. There was not a lot of change in the post meeting statement, but the biggest change, other than the rate move, was that the committee acknowledged that recent indicators of spending and production have softened. Even so, the FOMC is committed to returning inflation to its 2% objective and again indicated that it anticipates ongoing increases in the target fed funds range will be appropriate. No surprise there given what the Fed has been telling us.

**Tim:** We'll see what Chair Powell said in his post meeting press conference, after the break.

*Fade to black.*

*[upbeat music]*

*Aerial shot of a city. Vizo Financial logo slides onto the screen.*

*Aerial shot of a city at night. The words Financial Conference 2022 appear in blue in the lower left corner of the screen.*

*Aerial shot of the city during the day. The words September 14-16, 2022 in blue slide in from the right.*

*Shot of a man and woman golfing. Black and white shot of a hotel appears in the middle with the words, The Ballantyne Hotel Charlotte, N.C. a in blue appear over top.*

*Shot looking up at trees going by. The words, Register today at [www.vffcu.org](http://www.vffcu.org) appear in blue in the top left corner of the screen.*

*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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**Tim:** Welcome back! In his post meeting press conference, Chair Powell started by giving an update on the economy. He said that growth in consumer spending had slowed significantly and activity in the housing sector has weakened. However, the labor market has remained very strong, adding an average of 375,000 jobs per month over the last three months.

**Tim:** With that, inflation remains high, with the Fed's preferred inflation measure, the PCE index, rising 6.3% for the twelve months ending in May, and the CPI, which the public generally follows, rising 9.1% for the twelve months ended in June. Chair Powell reiterated the FOMC's commitment to returning inflation to their 2% goal and said the committee would be looking for compelling evidence of that happening. Until then, the committee anticipates ongoing rate increases will be appropriate. However, Chair Powell also said that as monetary policy tightens further, it will likely become appropriate to slow the pace of increases as the committee assesses how cumulative policy adjustments are affecting the economy and inflation.

**Tim:** Chair Powell stating that rate increases will slow caught people's attention, and the markets had a late day rally. In the Q&A session of his press conference, Chair Powell explained that the fed funds rate is in the range of neutral now, meaning not stimulating or slowing the economy, so as the Fed gets closer to where it needs to be on rates, it will be appropriate to slow down.

**Tim:** When pressured for a September projection concerning a rate move, Chair Powell simply said that at this point the committee is really going to pay attention to the data and will likely give less forward guidance on rates than they have for the past few increases. He indicated that the September increase could be large as well, but said the committee has not made any decisions about future rate increases yet. When questioned further, he pointed to the June Fed projections as broadly in line with what the committee is thinking.

**Tim:** Chair Powell was questioned repeatedly about an impending recession. He said he believed that the economy was not currently in a recession because the strong labor market just did not align with that thinking, even if the initial reading of GDP is negative for the second quarter. However, he also made it clear that reducing inflation is the top priority, even if it causes an economic downturn in the future.

**Tim:** In response to a question about the reduction of the Fed balance sheet, Chair Powell said he believes the process is working as planned and that the ramp up to full strength reduction will be complete in September. At the projected pace of runoff, it will likely take two to two and a half years to get the balance sheet back to the desired level.

**Tim:** Well, we certainly did not get any better read on the size of a rate hike in September, or much to quell recessionary fears. However, we did get a consistent message, which is the data will dictate future rate moves. There is obviously a lot happening out there right now, and no one knows how it will all play out, including the Fed. That's the FOMC update for July. Thanks for watching and be well!

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