

[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 June 17, 2021.

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

Tim: As expected, the Fed maintained the current fed funds target range at a level of 0-25 basis points at its June meeting. However, they did bump the rate on required and excess reserves from 10 basis points to 15 basis points in an effort to keep fed funds trading within range. They 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 – more about that later.

Tim: In the post meeting statement, the committee acknowledged the positive effect vaccinations have had, and will likely continue to have, on the spread of COVID-19. They also gave a nod to higher inflation, but that was it for the changes from the prior statement. As it's the end of a quarter, we received an updated set of economic projections from the Fed, with 18 members submitting projections.

Tim: The dot plot has changed somewhat in favor of an earlier rate rise, with 7 now seeing higher rates in 2022 instead of 4 the prior quarter, and 13 now seeing higher rates in 2023 rather than 7 the prior quarter. The Fed also bumped its median forecast regarding PCE inflation for 2021 from 2.4% last quarter to 3.4%, and its median GDP forecast for 2021 from 6.5% to 7.0%. We'll look at what Chairman Powell had to say about all of this in his press conference, after the break.

Screen fades to black.

[upbeat music playing throughout]

Large, beautiful hotel. Blue stripe wipes across the screen.

Street signs fading into a large silver statue outside of an orange building.

Zooms out to scene of various people standing on stone patio talking and drinking.

Dark blue words against a white shape appear that read, '2021 Financial Conference Ballantyne Hotel Charlotte, N.C.'

Various shots of hotel interiors. Scene zooms out to a woman shaking a man's hand with another woman and man in background.

Blue stripe wipes across screen. Three men talking in a hotel conference room.

Zooms out to scene of various people standing on stone patio talking and drinking.

Dark blue words against a white shape appear that read, 'Save the Date September 15-17, 2021'

Fade to black.

Tim: Welcome back! The Chairman covered a number of topics in his press conference and Q+A session after the meeting. I think what most of us are interested in is the path of monetary policy so that's what we'll focus on here.

Tim: While Chair Powell indicated the committee continues to believe the recent increase in inflation will moderate over time, he did acknowledge that the updated economic forecasts from Fed participants show that many believe the economy is on a faster track to the Fed's goals regarding employment and inflation than previously projected. Chair Powell said that this is what should be taken from the change in the dot plot, rather than trying to use it as a predictor of future rate increases as the dots are individual forecasts and do not represent a committee decision or plan.

Tim: He indicated that rate liftoff was still well into the future, but that discussions have started concerning asset purchase tapering. The committee has given the guidance that asset purchases will continue at the current pace until "substantial further progress" had been made in the economy, and while the chairman described that goal as still a ways off, he said the committee is at the stage where in upcoming meetings they will discuss a plan for tapering asset purchases given their assessment of continued economic progress.

Tim: He again made it clear that the committee plans to be very transparent regarding its asset tapering plans and will provide advance notice before announcing any decision to make any changes to asset purchases.

Tim: Well, it looks like we can call this meeting stage one of the FOMC's plan to begin removing accommodative monetary policy. Regarding asset purchases, Chair Powell had said in the past that the committee would talk about when they would talk about tapering, then they would talk about it, and then they would communicate plans well in advance of actually making any move.

Tim: Chairman Powell indicated that the June meeting accounted for the talking about talking about it stage. While actual action may still be some distance in the future, the process seems to have officially begun. That's the FOMC update for June. Thanks for watching and be well!

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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