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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 March 21, 2024.

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

Tim: 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 expected by the marketplace. The post meeting statement was nearly unchanged from the previous meeting's statement. The big news everyone was waiting for concerned the Fed's updated summary of economic projections, and specifically the new dot plot indicating the future of rates. Regarding the dot plot, the median projection for three 25 basis point rate cuts did not change for 2024; however, expectations for 2025 and 2026 showed about one less 25 basis point rate cut each year, and the longer run rate projection moved up from 2.5 to 2.6 percent. The committee also saw increases in core PCE inflation and GDP versus their December projection, with core PCE moving from 2.4 to 2.6 percent, and GDP moving from 1.4 to 2.1 percent. We'll see if Chair Powell gave us any additional information about what the committee sees for the future, in his press conference, after the break.

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Tim: Welcome back! Commentary during the press conference was much the same as what we have been hearing from the Fed. Chair Powell started the press conference with his prepared remarks. He indicated that the economy has been expanding at a solid pace, the labor market remains tight but conditions are coming into better balance, and inflation has eased but is still too high and remains above the longer run goal of 2 percent. He said the committee believes they are likely at the peak of the rate cycle and will begin reducing rates this year though they are prepared to maintain higher rates for longer if appropriate. They are still looking for greater confidence that inflation is moving sustainably to their 2% goal.

Tim: In the Q and A session, Chair Powell answered questions around rates indicating that risks are currently two sided; ease too soon and inflation comes back, and ease too late and unnecessary damage could be done to the job market. He reiterated that the committee still needs more confidence that inflation is moving down to 2% before cutting rates, but that a rate cut could also happen if something were to dictate it such as the job market faltering. He addressed the bump in rate projections in 2025,

2026, and beyond saying that the committee does not necessarily know that rates will be higher in the long run, but they are not thinking we will move back to a position where rates are near 0 percent either. When answering questions regarding inflation he said that the committee remains committed to their 2% goal, not something higher, but the key is that it will take time.

Tim: He said that the recent hotter inflation data was not being dismissed by the committee, but that overall they believe the picture remains that of inflation gradually moving down to 2% over time on a bumpy path. he also said though, that only time will tell if the past two months of inflation data were bumps or something more. As far as adjustments to the Fed's balance sheet runoff, Chair Powell said that slowing the pace is what is currently being discussed. They do not know exact numbers around the process yet nor do they know the exact timing other than to say it will be fairly soon. They are looking to slow the pace of runoff so as to avoid any market turbulence that could cause a short reserve situation.

Tim: Well, not much new information from this meeting. Some may be surprised, given the recent Fed speak, that the projection for rate increases in 2024 remained at three. However, there was some shifting of dots in 2024 and increases in the longer-term projections that do indicate some change in thought supporting the rates higher for longer commentary we have been hearing. Nonetheless, the story from the Fed remains largely consistent and cognizant of emerging data, just as they have been telling us it would. That's the FOMC Update for March. 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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