

*[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 May 5, 2022.'*

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

**Tim:** As was widely expected, the FOMC chose to raise the target fed funds range 50 basis points to a level of 75 to 100 basis points, and they also increased the rate on reserve balances by 50 basis points to a level of 90 basis points. The decision to raise rates was unanimous. In its post meeting statement, the committee acknowledged that economic activity was down somewhat in the first quarter, but that household and business fixed investment remained strong. Recent job gains were described as robust. The committee also mentioned the war in Ukraine as well as the COVID lockdowns in China in relation to inflationary pressures and additional supply chain disruptions.

**Tim:** The committee also said that it will begin to shrink its balance sheet starting June 1<sup>st</sup>. Principal payments on securities will be reinvested if they exceed the caps of \$30 billion per month for Treasury securities, and \$17.5 billion per month for agency debt and mortgage-backed securities. Those caps will move to \$60 billion per month for Treasuries and \$35 billion per month for agencies after three months.

**Tim:** We'll see if Chair Powell gave us any hints at the future of monetary policy at his press conference, after the break.

*[upbeat music playing]*

Female voice: Your members share a common bond, but what about credit unions sharing a common bond with other credit unions? Imagine a place where you can connect with other credit unions for support, education and expertise. A place where you not only find services you need to keep you moving forward, but where you can also find encouragement from others and a helping hand when you need it.

**Female voice:** Enter CUaxis.

**Female voice:** CUaxis was created to bridge the gap between institutions by connecting through a common core solution and taking the credit union credo, 'people helping people' to an all-new level. With CUaxis, you have access to all the core resources you need (and more) in one place. CUaxis makes it easy to bundle the services you need and never pay for the ones you don't.

**Female voice:** You can even be part of a collective buying process with other credit unions to lower the cost of services. But it doesn't stop there. CUaxis provides an entire community where core users can come together to learn and collaborate through webinars, conferences, workshops, blogs, discussion forums and more!

**Female voice:** It's a core community that has everything credit unions need to succeed as a movement. So let's forget about competing and start collaborating! After all, working together is what drives the credit union movement.

**Female voice:** Join CUaxis today!

*Fade to black.*

**Tim:** Welcome back! In his press conference, Chair Powell acknowledged that, in relation to the Fed's dual mandate, the job market is extremely tight and inflation is much too high. He indicated that employment rose by almost 1.7 million jobs in the first three months of the year and March's unemployment rate of 3.6% was near a five-decade low. He mentioned that there were currently about 1.9 jobs open for every unemployed person. Regarding inflation, he noted that the Fed's preferred measure, the personal consumption expenditures, or PCE price index, rose 6.6% for the 12 months ending in March, and the core PCE rose 5.2%, much higher than the Fed's longer run goal of 2%.

**Tim:** Talking about rates, Chair Powell said the committee is on a path to move the fed funds rate to a more neutral level, which currently is thought to be somewhere around 2 to 3% longer run, though he mentioned that there is no way to know exactly what that target is except to monitor data for the desired effect on the economy.

**Tim:** Perhaps the biggest news came in his post meeting press conference when he said the committee is not actively considering a 75bp increase at any meeting, but in a broad sense the committee feels that a 50 bp increase is likely appropriate for the next few meetings. He clarified though by saying the committee will wait until those meetings to make any decision on rate increases after reviewing the economic data. The markets viewed that commentary, which took away fears of a 75 bp increase, very favorably and rallied the rest of the day.

**Tim:** Well, it's obvious the Fed is very serious about fighting inflation, and Chair Powell was adamant that the committee will do what it takes to move inflation back to acceptable levels. The Fed has been clear, and continues to be clear about its intentions, and the markets seem to appreciate that. In fact, the markets have moved in response to the Fed's forward guidance, rather than wait for actual rate increases to take place.

**Tim:** Chair Powell noted in response to a post meeting question that this was a sign that the Fed still has credibility. It's always been said the markets hate uncertainty, and thus far it looks like the Fed has done a good job relieving as much uncertainty as it can, at least where monetary policy is concerned. The next test for the Fed will be to engineer a soft landing for the economy, where inflation is tamed without

tipping the economy into recession. That will be a tough test indeed! That's the FOMC update for May. 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.*

*Disclaimer says: "The content expressed in this video is the copyright of Vizo Financial Corporate Credit Union and is provided as general information. If you wish to apply the information, concepts or ideas contained in this video, you are taking full responsibility for your actions. Neither Vizo Financial Corporate Credit Union, the Writers, nor the Actors shall in any event be liable to any party for any direct, indirect, implied, punitive, special, incidental or consequential damages arising directly or indirectly from any use of this material, which is provided as is, and without warranties. Each credit union manages its operations and balance sheet differently. Viewers should never take any information perceived from this or any other video(s) at face value and should always do their own due diligence and, where applicable, seek the advice of a competent legal, tax, accounting or other professional before taking action."*

*Fade to black.*