

[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 November 4, 2021.'

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

Tim: There were a few changes to the Fed statement following the November meeting, but no changes where rates are concerned, as 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. The big change in the statement this month was the announcement of the tapering of asset purchases. Beginning later this month, the FOMC will reduce the pace of treasury security purchases by \$10 billion per month, and the pace of agency mortgage-backed security purchases by \$5 billion per month.

Tim: Those reductions in asset purchases will take place in both November and December of this year, and the committee indicated that the same pace of monthly reductions will likely be appropriate each month going forward, but noted it is prepared to adjust the pace if necessary. The post meeting statement also updated the language around inflation. While the committee still refers to inflationary pressures as transitory, it notes that supply and demand imbalances have caused sizable price increases in some sectors, and when supply constraints ease that should contribute to a reduction in inflation. The message is similar to last month, but more descriptive.

Tim: We'll see what Chair Powell had to say in 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 prepared remarks, Chair Powell acknowledged that inflation was running well above the committee's 2% goal due to supply and demand imbalances. He said that supply constraints have been larger and longer lasting than anticipated. In the Q+A session after his remarks, he also acknowledged that those supply constraints were being met with very strong demand. However, he indicated that the committee continues to believe that the economy will adjust to these supply and demand imbalances over time which will allow inflation to run closer to the committee's 2% goal.

Tim: In his Q+A session he gave a little more color on the term "transitory" which the committee has been using to describe inflation relating to these supply and demand imbalances. He indicated that transitory means different things to different people, and while the markets have been looking at transitory in terms of a timeframe, the committee looks at the term in the context of whether the jump in inflation will leave any lasting effects, which at this point they still seem to believe it will not. In his prepared remarks Chair Powell said the FOMC is committed to their 2% inflation goal, and if they see that inflation is moving materially and persistently beyond that goal then they will use their tools to preserve price stability.

Tim: As it sits now, Chair Powell said the committee judged that the economy had met the test of substantial further progress being made toward their maximum employment and price stability goals, and that is why the committee chose to begin tapering asset purchases, which, if continued at the pace we mentioned earlier, will end increases to the Fed's securities holdings by the middle of 2022.

Tim: He also said that the committee is ready to speed up or slow down the pace of tapering in response to the economic outlook and will be transparent if they make any changes. In his Q+A session, Chair Powell also addressed a question concerning the timing of rate increases, saying that a rate increase was not on the table yet as the committee wants to see the labor market heal more first given the maximum employment test for a rate rise had not yet been met.

Tim: So, asset purchase tapering has transpired just like the Chairman told us it would at his last press conference. Though the tapering has begun, it is apparent the committee is not ready to think about rate increases yet. However, given the transparency that the committee has displayed surrounding the

asset purchase taper, it is likely the FOMC will also let us know when we are nearing a rate move; all we have to do is listen. That's the FOMC update for November. 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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