

*[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 November 3, 2022.'*

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

**Tim:** At its November meeting, the FOMC chose to raise the target fed funds range 75 basis points to a level of 3.75 to 4.00 percent, and they also increased the rate on reserve balances by 75 basis points to a level of 3.90 percent. The decision to raise rates was a unanimous one by the FOMC and was certainly expected by the markets, who were hoping for some guidance from this meeting concerning what the Fed may do in December and beyond.

**Tim:** The biggest change in the post meeting statement was the addition of some language that seems to give the Fed cover to reduce the pace of rate increases going forward if it so desires. When talking about future rate increases, this month's statement added the sentence, "In determining the pace of future increases in the target range, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments."

**Tim:** We'll see if Chair Powell gave us any further guidance about the future of interest rates in his post meeting press conference, after the break.

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*[upbeat guitar music]*

**Female voice:** Educational resources that fit in your busy schedule? Yes, please! Vizo Financial has an entire library of webinar recordings! That means you have 24/7/365 access to full recordings of our live sessions, PDFs of the presentations and bonus materials. Never have to worry about missing a webinar again!

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**Tim:** Welcome back! In his post meeting press conference, Chair Powell started with an economic update, explaining that the economy has slowed significantly from last year's pace, with weakening in

the housing sector and slowing growth in consumer spending. To the contrary, the labor market remains very tight with demand substantially exceeding the supply of available workers.

**Tim:** Most importantly, inflation remains well above the committee's longer-run goal 2% with recent inflation data higher than expected. Though some progress has been made, Chair Powell indicated it will take time for the full effect of monetary policy to be felt on the inflation front, and that is why they added the language to the post meeting statement around the cumulative effect of tightening and the lag with which it works.

**Tim:** He said, though it will be appropriate to slow the pace of rate increases as interest rates approach the level needed to bring inflation down to the committee's 2% goal, there is still much uncertainty around that level. He said there was still a way to go with rate increases and that the ultimate level will likely be higher than previously expected.

**Tim:** In the post conference question and answer session, Chair Powell elaborated a bit about the idea that rates will need to be at a higher level than thought in the September Fed projections. He said that based on the recent stream of economic data, the pattern has been that rates need to be higher than what has been projected.

**Tim:** He went further to say he felt that under tightening carried more risk than overtightening, as the Fed has tools to stimulate the economy if need be but that it is much harder to defeat inflation if it becomes entrenched. He said it was still undecided as to when the committee will slow the pace of rate hikes, but tried to drive home the concept that at this stage of the rate hike cycle the ultimate level of rates and how long they remain restrictive is more important than the speed of the rate increases.

**Tim:** He made sure to reiterate that there is still ground to cover regarding rate increases, that a slowdown in the pace does not mean an imminent pause, and that it is very premature to talk about pausing rate hikes. He also indicated that he believes a soft landing is still possible for the economy, but that the window has narrowed with the need for higher rates and the need to maintain them longer.

**Tim:** So, I think the obvious takeaway is that we are not done with rate hikes yet and those that are waiting for a pause may be waiting awhile. As for December, 50 or 75 basis points is still on the table, and those on either side can likely find some evidence in what the fed has said to support their opinion.

**Tim:** Don't waste your time debating that though, because if you heard Chair Powell, where we are going with rates at this point is more important than how fast we get there, and the destination looks higher than we previously thought. 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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