

*[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 Treasury Officer November 2, 2023'*

**Tim:** Hi, I'm Tim Sustak, chief treasury officer with Vizo Financial, and this is your FOMC update for the November 2023 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 widely expected by the markets. The post meeting statement changed very little. Economic activity was described as expanding at a "strong" rather than "solid" pace, and job gains were said to have "moderated since earlier in the year but remain strong", rather than to have "slowed in recent months".

**Tim:** The statement also acknowledged tighter financial conditions as well as tighter credit conditions which were mentioned in the last statement. We'll see what additional information Chair Powell gave us in his press conference, after the break.

**Tim:** Welcome back! Chair Powell started the press conference with his prepared remarks. He noted a strong pace of economic activity, with GDP growth estimated at an outsized 4.9% for the third quarter boosted by a surge in consumer spending. He indicated that higher rates have slowed the pace of housing and business fixed investment, and that the labor market remains tight though supply and demand conditions have come into better balance.

**Tim:** Most importantly though, he said inflation remains too high. Though he acknowledged progress has been made on the inflation front, he said getting inflation sustainably down to the committee's 2% goal has a long way to go. He noted the resilience of the economy and the possible need for additional rate hikes to make sure policy is restrictive enough to bring inflation sustainably down to 2% over time. He also acknowledged that financial conditions have tightened significantly as of late with the climb in bond yields, and that given the uncertainties and risks in the financial picture, the committee is proceeding carefully.

**Tim:** In the Q and A session, Chair Powell explained that the question the committee is asking itself is should they hike more. He said that they are not sure yet that financial conditions are tight enough to achieve their goal, but they know policy works with a lag that is hard to determine which is why the committee has slowed down concerning rate increases. In a response to a question about rate cuts, he

replied that for now the committee is focused on reaching a rate that will bring inflation down to 2%, then they will focus on how long to keep rates at that level, and the last concern will be when to start cutting rates which they have not even thought about yet.

**Tim:** The press tried to get guidance about what might happen at the December meeting, but Chair Powell indicated, like before, that decisions are made meeting by meeting at this point and there is no preconceived plan for December or beyond. An interesting point to note for our balance sheet management purposes is that Chair Powell was questioned about the future of the Bank Term Funding Program and if it may be extended. He said that is something the Fed will think about closer to the time the program is currently set to expire in the first quarter of 2024.

**Tim:** At this point, though the press may try, I am not sure there is anything more to wring out of the Fed concerning the future of monetary policy. The reality is there are so many dynamics in play that they don't know what will happen at this point, and they keep trying to convey that. What they do know is they have been making progress on inflation, they are close to the end of the cycle, and the risk of doing too much or too little is becoming more in balance. When you hit that stage of the cycle it is tough to predict exactly what will happen, but if we just listen to the Fed they will keep us posted as they are figuring it out. 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.*

*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.*