

[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 with a gray graphic with a blue border on top and white letters that reads, 'Federal Open Market Committee Update- Tim Sustak Chief Credit Officer September 23, 2021.'

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

Tim: Well, only a few changes to the Fed statement following the September meeting, but one of those changes does give us some guidance concerning when asset purchase tapering may begin. No changes however 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 changes in the post meeting statement consisted of the committee acknowledging that the rise in COVID cases has slowed the recovery of those sectors most hurt by the pandemic, and that if the economy continues to make progress towards the committee's goals as expected then a moderation in the pace of asset purchases may soon be warranted. More on asset purchase tapering later.

Tim: Given this is the end of a quarter, we received an updated set of Fed economic projections. Concerning the future path of interest rates, the dot plot changed a bit to the upside though all members continue to expect rates to remain unchanged in 2021. The Fed is now split evenly about a rate hike in 2022, with nine seeing rates at the same level and nine seeing rates higher. All but one member now sees rates higher in 2023, and all members see rates higher by the end of 2024.

Tim: We'll see what Chair Powell had to say in his press conference, after the break.

[upbeat music]

Woman seated at desk talking to coworkers in virtual meeting. Words in white scroll across the screen that read, 'Vizo Financial's Virtual Payments Conference 2021'

Computer screen close up with people in a virtual meeting. Words in white scroll across the screen that read, 'This year's speakers: Dave DeFazio StrategyCorps Kimberly Rector Macha' Words move off screen

*and new ones appear that read, , 'This year's speakers: Stephen Kuhl Western Union Business Solutions
Jessica Lelii Vizo Financial MY CU Services'*

*Teal and green abstract background with white outline of hand. Vizo Financial white logo in right corner.
Words in white that read, 'Register now at vfccu.org Payments Conference October 19-20, 2021'*

Fade to black.

Tim: Welcome back! Well, since we received some guidance about the removal of policy accommodation this month, let's focus on that since where rates are going is really where the rubber meets the road for all of us anyway. In his prepared remarks at the beginning of his press conference, Chair Powell reiterated that if economic progress continues as the committee expects, that a moderation in asset purchases may soon be warranted. Further, regarding the pace of the reduction, he indicated that committee participants generally agree that, as long as the recovery remains on track, a gradual tapering process that concludes around the middle of next year seems appropriate.

Tim: His Q+A session gave us even better guidance, as he explained that tapering could come as early as the next FOMC meeting, which is in November. He also explained that it makes sense that rate liftoff will not happen until tapering is finished, as you would likely speed up asset purchase tapering rather than introduce rate increases in addition to tapering if you believed accommodation needed to be removed faster.

Tim: In July's update, we said that asset purchase tapering looked to be getting closer. Based on Chair Powell's comments this month, unless something drastic changes, it seems we should be looking for that process to start when the Fed meets next on November 2nd and 3rd. If all goes as currently planned, the launch pad would be cleared for rate liftoff sometime mid-next year, meaning asset purchase tapering would be completed. Remember though, just because the launchpad is clear does not necessarily give us an indication when it will then be used.

Tim: Obviously, there is still a lot of time between now and mid-next year and plenty of room for the Fed to make alterations to the asset tapering plan as none of this is set in stone. However, I believe the Fed has given us a much better look this month at their blueprint for removing policy accommodation, at least as they see it now. That's the FOMC update for September. Thanks for watching and be well!

Fades to 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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Fade to black.