

*[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 September 22, 2022.*

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

**Tim:** At its September meeting, the FOMC chose to raise the target fed funds range 75 basis points to a level of 3.00 to 3.25 percent, and they also increased the rate on reserve balances by 75 basis points to a level of 3.15 percent.

**Tim:** The decision to raise rates was a unanimous one by the FOMC and widely expected by the markets. There was not much change in the post meeting statement other than saying recent indicators of spending and production have grown modestly rather than that they had softened as in the prior statement.

**Tim:** The bigger story was the new set of Fed projections that were released which the market was looking to for a read on future rate increases. The projections show a median fed funds estimate of 4.4% for 2022, which means we are looking at another 100 to 125 basis points of tightening over the last two meetings of the year.

**Tim:** The 2023 median estimate shows another 20 basis points of tightening, and there is no projection for a rate reduction until 2024. The more hawkish Fed projections back up the tough talk by Chair Powell regarding inflation, and likely disappointed those who had been thinking the fed might soften regarding rates. We'll see what Chair Powell said about the future of interest rates in his post meeting press conference, after the break.

*Scene fades to black*

*[upbeat music playing]*

*Various shots of hands holding cell phones and swiping cards for payment.*

*Light green screen appears with the words, 'Payments Conference October 18-19, 2022, Virtual' appear in white.*

*Various shots of cards being used for payments and event speakers on multicolored background. The words 'Event Speakers' in white then 'Key Topics' in white.*

*Blue background with white words that read, 'Register now at [www.vfccu.org](http://www.vfccu.org) Payments Conference October 18-19, 2022 Virtual'*

*Screen fades to black*

**Tim:** Welcome back! In his post meeting press conference, Chair Powell gave us an economic update as he usually does, indicating that the economy has slowed from historically high growth rates during the reopening after the pandemic, as consumer spending, housing, and business fixed investment have all seen some decline given the tighter financial conditions. To the contrary, he said the labor market remains strong with unemployment at a 50-year low, job vacancies near historic highs, and wage growth elevated.

**Tim:** Inflation remains well above the Fed's 2% longer run goal, and Chair Powell said that price pressures remain evident across a broad range of goods and services. It is those last two conditions, the strong jobs market and high inflation, that will keep the Fed increasing rates through the end of this year and into next. Chair Powell was emphatic that the committee will do everything it can to squash inflation.

**Tim:** This was evident in the question-and-answer session of the press conference as Chair Powell indicated that the Fed is committed to getting to a restrictive level of rates, meaning rates are placing meaningful downward pressure on inflation. He said he believes the Fed has moved into the lowest level of restrictive territory with their latest rate move, and that they still had a way to go to get to the level they believe is necessary.

**Tim:** In response to a question concerning how the committee will know when to slow or stop increases, Chair Powell identified three conditions; economic growth below trend, a better balance between labor supply and demand, and clear evidence inflation is moving back to 2%. He reiterated many times the FOMC's commitment to bringing inflation down, and though he said that no rate path had been set in stone, he confidently said the rate path the committee ultimately takes will be enough to tame inflation.

**Tim:** Well, I am not sure how much clearer the Fed can make it. They are intent on fighting inflation. Based on what they know now, rates will continue to rise into next year until they reach a firmly restrictive level, and then remain there until inflation is under control. Some in the marketplace had been thinking that the Fed might soon take a pause on rate increases, or flip and start cutting rates next year. Though as the Chairman said, the data will dictate the future rate path, there will have to be a pretty dramatic change in the data to make this hawkish Fed turn to the dove side anytime soon. That's the FOMC update for September. 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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