



# FOMC Notes: Rates Unchanged

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AAs was largely expected, The Federal Reserve Open Market Committee (FOMC) left the target range for its Fed Funds rate unchanged at 5.25 – 5.50%. What did change, however, was the wording in its announcement that had indicated the potential for hikes. That wording would seem to position the FOMC to begin reducing rates at some point (emphasis added). What we found interesting, (and would appear to reinforce our belief that the Market's beginning of year expectation for six cuts was not realistic) is that the wording changed to, "The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent."

As far as a reduction of Quantitative Tightening (QT) is concerned, the FOMC also indicated that it would continue shrinking its bond portfolio when it stated, "The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities, as described in previously announced plans."

We continue to believe that the most likely course of action for the FOMC will be three cuts, most likely pushed to the back half of the year. We continue to believe that a full-blown recession is likely not in the cards for this year as we also believe that the domestic economy has been experiencing rolling recessions across sectors that has not and will likely not become more widespread.

Now that we have entered political silly season, the debate has already turned to whether or not the FOMC can or can't alter its rate stance in order to avoid looking overly political and give the appearance that it might be favoring one candidate over the other. We would respond by saying that the Fed continues to be, "data dependent" and will likely alter its rate stance if, and when the data indicates the need to do so.

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Source: FOMC Notes  
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