



Fed Statement

FOMC Statement

March 20, 2019

Information received since the Federal Open Market Committee met in January indicates that the **labor market remains strong but that growth of economic activity has slowed from its solid rate in the fourth quarter.** Payroll employment was little changed in February, but job gains have been solid, on average, in recent months, and the unemployment rate has remained low. **Recent indicators point to slower growth of household spending and business fixed investment in the first quarter.** On a 12-month basis, overall inflation has declined, largely as a result of lower energy prices; inflation for items other than food and energy remains near 2 percent. On balance, market-based measures of inflation compensation have remained low in recent months, and survey-based measures of longer-term inflation expectations are little changed.

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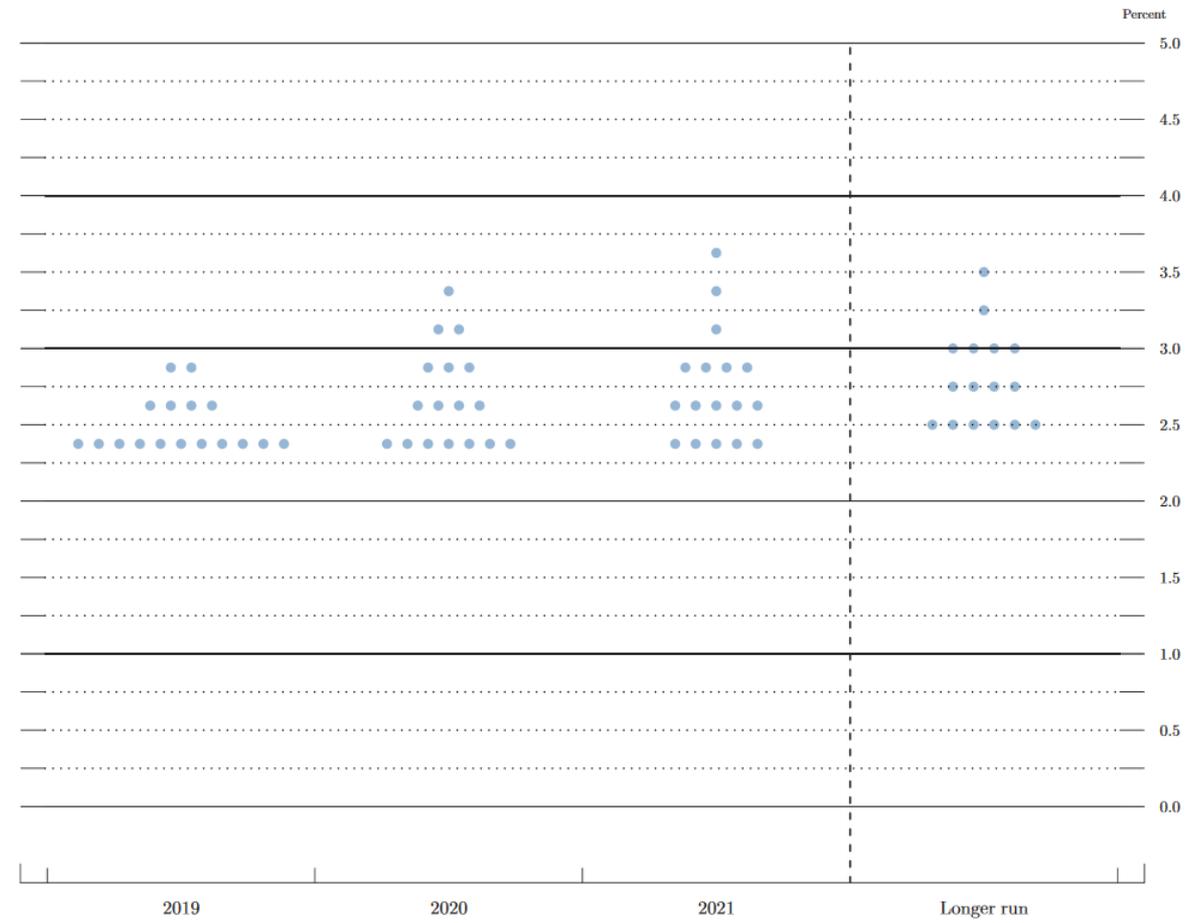
...Committee decided to maintain the target range for the federal funds rate at 2-1/4 to 2-1/2 percent.

In light of global economic and financial developments and muted inflation pressures, the Committee will be patient as it determines what future adjustments to the target range for the federal funds rate may be appropriate to support these outcomes.

QT-Coming to an End

- May 2019 – Reduce Treasury security redemptions to \$15 billion per month from \$30 billion per month
- End all redemptions in September 2019
- In October 2019, \$20 billion per month of principal payments from MBS securities will be reinvested in Treasury securities. Any amounts over \$20 billion will be reinvested in MBS securities.

Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



Fed Projections

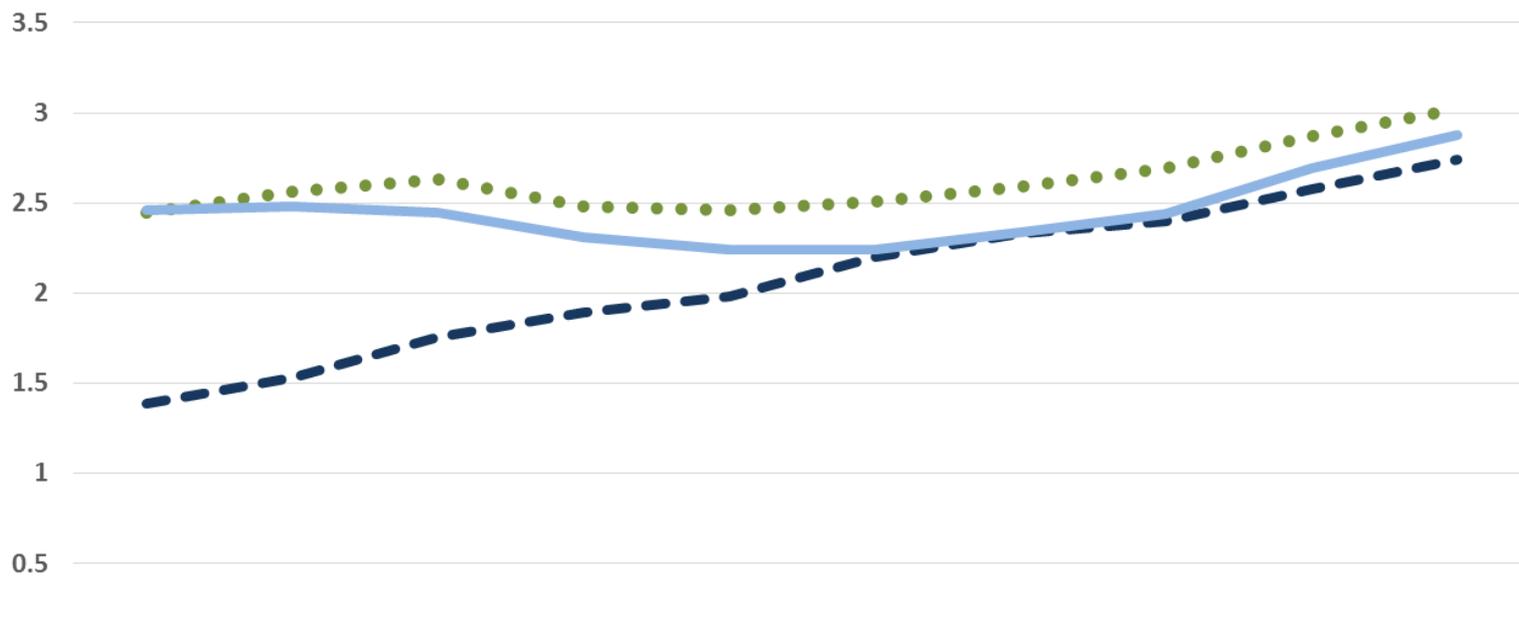
Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy, March 2019

Advance release of table 1 of the Summary of Economic Projections to be released with the FOMC minutes

Percent

Variable	Median ¹				Central tendency ²				Range ³			
	2019	2020	2021	Longer run	2019	2020	2021	Longer run	2019	2020	2021	Longer run
Change in real GDP	2.1	1.9	1.8	1.9	1.9 – 2.2	1.8 – 2.0	1.7 – 2.0	1.8 – 2.0	1.6 – 2.4	1.7 – 2.2	1.5 – 2.2	1.7 – 2.2
December projection	2.3	2.0	1.8	1.9	2.3 – 2.5	1.8 – 2.0	1.5 – 2.0	1.8 – 2.0	2.0 – 2.7	1.5 – 2.2	1.4 – 2.1	1.7 – 2.2
Unemployment rate	3.7	3.8	3.9	4.3	3.6 – 3.8	3.6 – 3.9	3.7 – 4.1	4.1 – 4.5	3.5 – 4.0	3.4 – 4.1	3.4 – 4.2	4.0 – 4.6
December projection	3.5	3.6	3.8	4.4	3.5 – 3.7	3.5 – 3.8	3.6 – 3.9	4.2 – 4.5	3.4 – 4.0	3.4 – 4.3	3.4 – 4.2	4.0 – 4.6
PCE inflation	1.8	2.0	2.0	2.0	1.8 – 1.9	2.0 – 2.1	2.0 – 2.1	2.0	1.6 – 2.1	1.9 – 2.2	2.0 – 2.2	2.0
December projection	1.9	2.1	2.1	2.0	1.8 – 2.1	2.0 – 2.1	2.0 – 2.1	2.0	1.8 – 2.2	2.0 – 2.2	2.0 – 2.3	2.0
Core PCE inflation ⁴	2.0	2.0	2.0		1.9 – 2.0	2.0 – 2.1	2.0 – 2.1		1.8 – 2.2	1.8 – 2.2	1.9 – 2.2	
December projection	2.0	2.0	2.0		2.0 – 2.1	2.0 – 2.1	2.0 – 2.1		1.9 – 2.2	2.0 – 2.2	2.0 – 2.3	
Memo: Projected appropriate policy path												
Federal funds rate	2.4	2.6	2.6	2.8	2.4 – 2.6	2.4 – 2.9	2.4 – 2.9	2.5 – 3.0	2.4 – 2.9	2.4 – 3.4	2.4 – 3.6	2.5 – 3.5
December projection	2.9	3.1	3.1	2.8	2.6 – 3.1	2.9 – 3.4	2.6 – 3.1	2.5 – 3.0	2.4 – 3.1	2.4 – 3.6	2.4 – 3.6	2.5 – 3.5

US Treasury Curve



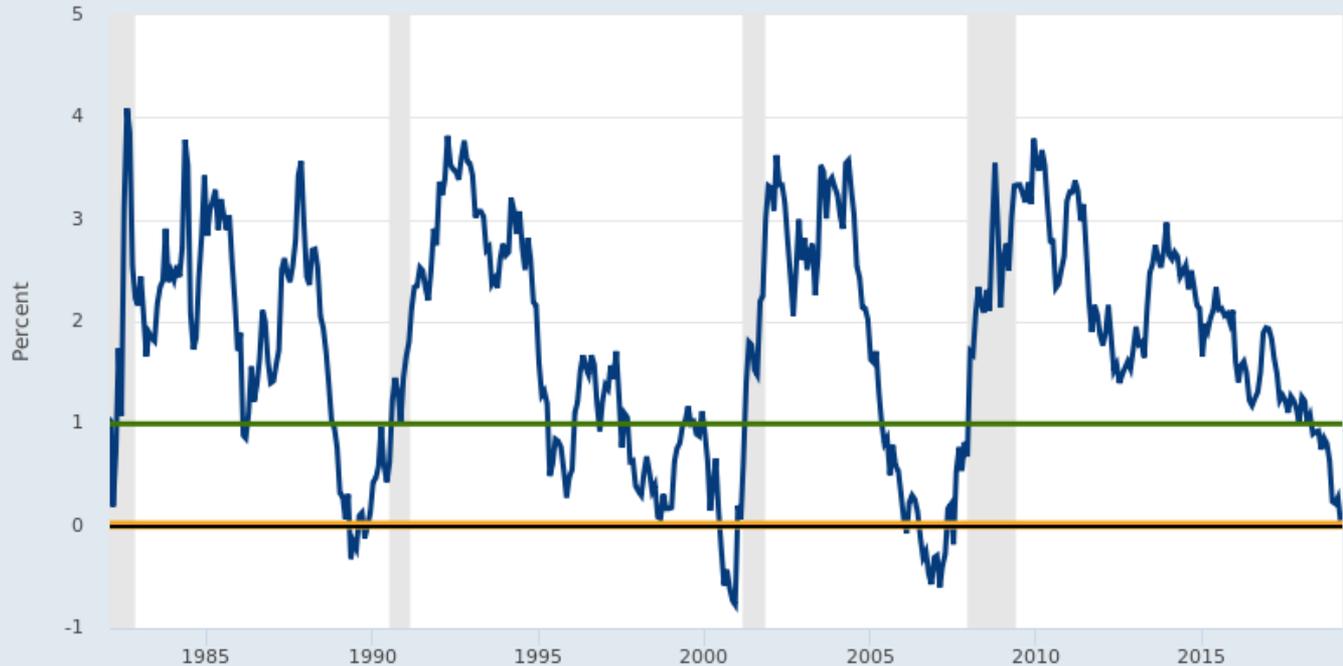
	3 mo	6 mo	1 yr	2 yr	3 yr	5 yr	7 yr	10 yr	20 yr	30 yr
12/29/2017	1.39	1.53	1.76	1.89	1.98	2.2	2.33	2.4	2.58	2.74
12/31/2018	2.45	2.56	2.63	2.48	2.46	2.51	2.59	2.69	2.87	3.02
3/22/2019	2.46	2.48	2.45	2.31	2.24	2.24	2.34	2.44	2.69	2.88

Blue Line = 10-year % - 90-day rate spread

Orange Line = Zero line, below this line yield curve inversion

Green Line = Spreads smaller than 1.0% predict successively greater probabilities of recessions one year forward.

FRED — 10-Year Treasury Constant Maturity Minus 3-Month Treasury Constant Maturity

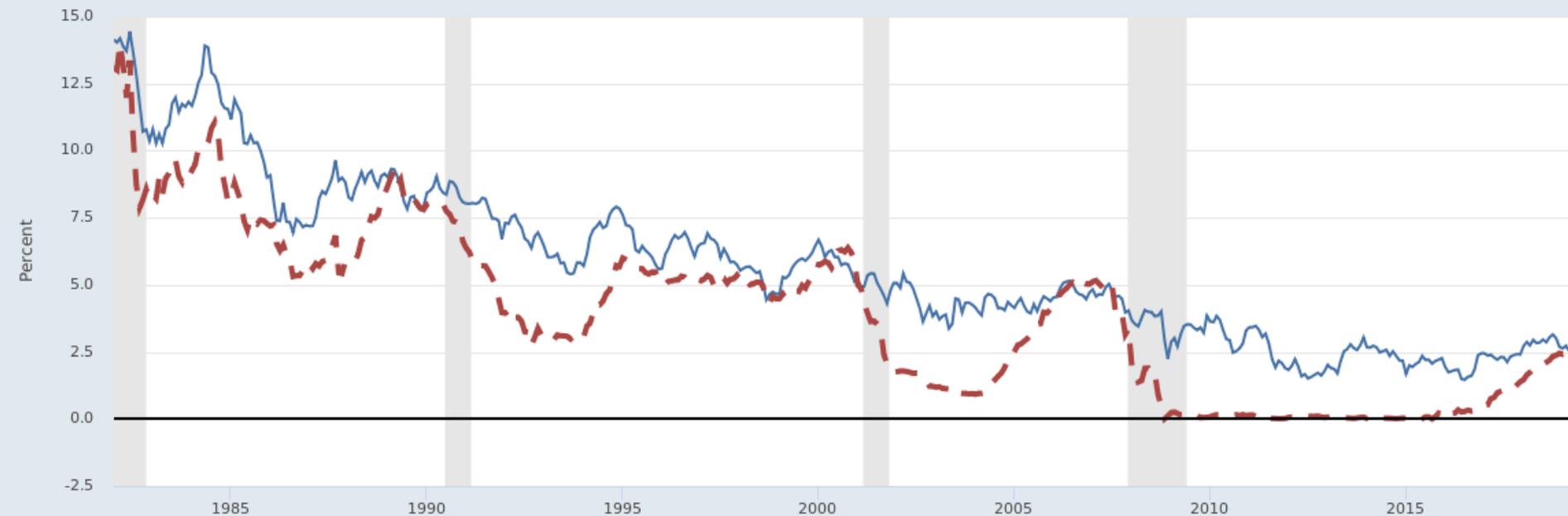


Shaded areas indicate U.S. recessions

Source: Federal Reserve Bank of St. Louis

myf.red/g/noDv

FRED — 10-Year Treasury Constant Maturity Rate
— 3-Month Treasury Constant Maturity Rate



Shaded areas indicate U.S. recessions

Source: Board of Governors of the Federal Reserve System (US)

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United States Instrument Futures: Fed Funds - Effective Fed Effective Rate 2.41

1) Overview 2) Future Implied Probability 3) Add/Remove Rates

Current Implied Probabilities

Dates Meeting Calculation Calculated 03/25/2019 Based on rate 2.25-2.50

Meeting	Hike Prob	Cut Prob	1.25-1.5	1.5-1.75	1.75-2	2-2.25	2.25-2.5	Fwd Rate
05/01/2019	0.0%	6.2%	0.0%	0.0%	0.0%	6.2%	93.8%	2.39
06/19/2019	0.0%	22.0%	0.0%	0.0%	1.0%	20.9%	78.0%	2.34
07/31/2019	0.0%	30.5%	0.0%	0.1%	3.2%	27.2%	69.5%	2.32
09/18/2019	0.0%	50.5%	0.0%	1.0%	10.1%	39.4%	49.5%	2.25
10/30/2019	0.0%	56.1%	0.1%	2.0%	13.4%	40.5%	43.9%	2.22
12/11/2019	0.0%	66.3%	0.6%	4.7%	19.7%	41.3%	33.7%	2.16
01/29/2020	0.0%	74.0%	1.5%	8.1%	24.6%	39.6%	26.0%	2.10

Source: Bloomberg, LP. 11:29 am

