



Fed Statement

FOMC Statement

May 1, 2019

Information received since the Federal Open Market Committee met in March indicates that the **labor market remains strong and that economic activity rose at a solid rate**. Job gains have been solid, on average, in recent months, and the unemployment rate has remained low. **Growth of household spending and business fixed investment slowed in the first quarter**. On a 12-month basis, overall inflation and inflation for items other than food and energy have declined and are running below 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.

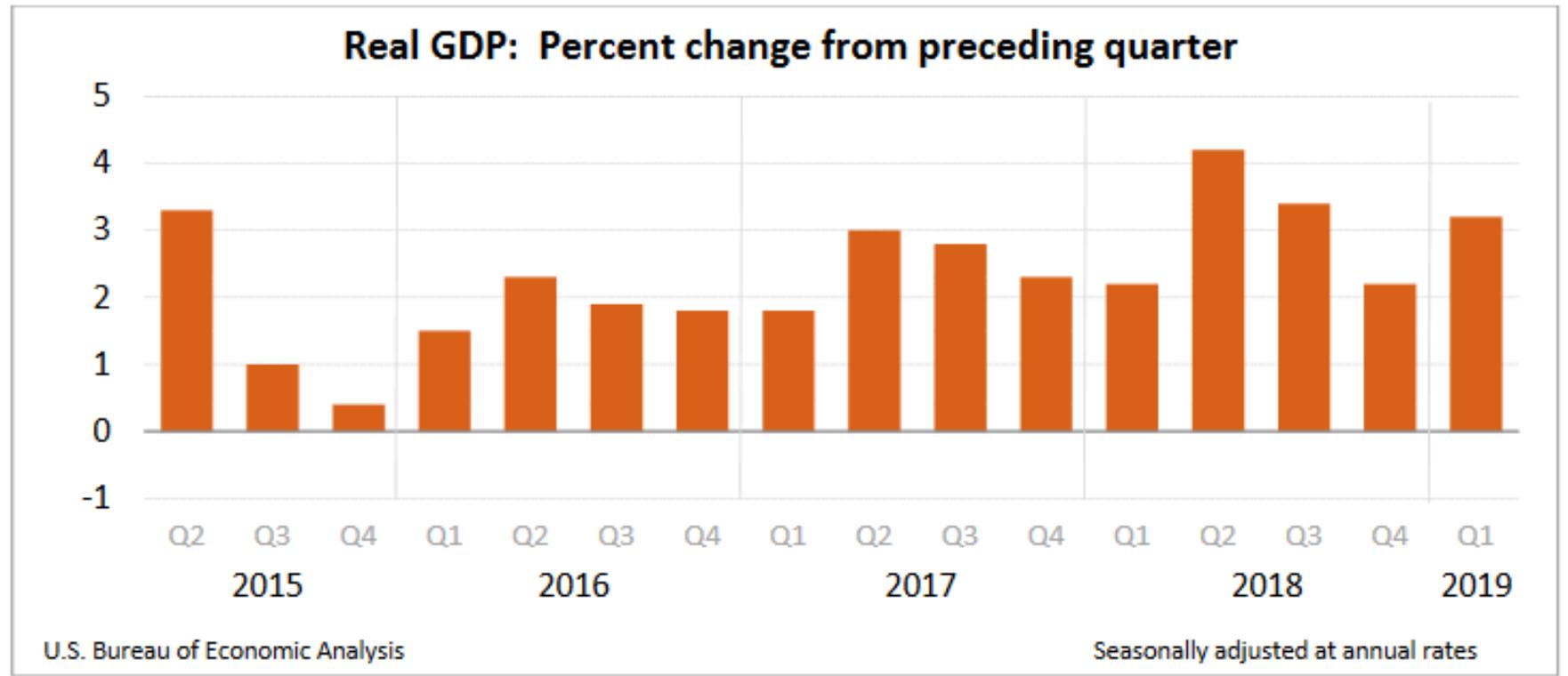
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...Committee **decided to maintain the target range** for the federal funds rate at 2-1/4 to 2-1/2 percent. The Committee **continues to view sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective as the most likely outcomes**. 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.

1Q 2019 GDP Growth @ 3.2%



Contribution to GDP by Component: 2019 (I) vs. 2018 (IV)

	Contribution to 3.2% growth 1Q19*	Contribution to 2.2% growth 4Q18
Consumer	0.82	1.66
A decrease in goods spending of -0.7% was offset by a 2.0% growth in services spending.		
Investment	0.92	0.66
The 1 st qtr saw growth rate in nonresidential investments while residential fixed investments continued its downward pace.		
Government	0.41	-0.07
Growth in state spending increased in the 1Q by 3.9% while federal spending was flat.		
Export - Import	1.03	-0.08
Growth in exports was compounded by a declined in imports.		

Source: U.S. Department of Commerce Bureau of Economic Analysis

*Advance Estimate

Inflation Lower than Expected

April 26, 2019

Table 4. Price Indexes for Gross Domestic Product and Related Measures: Percent Change From Preceding Period

Line		2016	2017	2018	Seasonally adjusted at annual rates															Line	
					2015			2016			2017				2018				2019		
					Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Q1
1	Gross domestic product (GDP)	1.1	1.9	2.2	2.4	1.2	0.1	-0.2	2.7	1.4	2.3	2.0	1.2	2.2	2.5	2.0	3.0	1.8	1.7	0.9	1
2	Personal consumption expenditures	1.1	1.8	2.0	2.0	1.2	-0.2	0.2	2.4	1.7	1.9	2.1	0.8	1.6	2.7	2.5	2.0	1.6	1.5	0.6	2
3	Goods	-1.6	0.3	0.7	1.9	-0.8	-4.0	-4.1	1.2	-0.9	0.8	2.2	-2.8	0.7	1.5	2.2	0.4	-0.4	-1.1	-1.7	3
4	Durable goods	-2.3	-2.2	-1.7	-0.7	-2.2	-2.2	-1.9	-2.6	-3.5	-3.5	0.2	-3.1	-2.4	-2.2	-1.1	-1.6	-0.9	-1.5	-0.4	4
5	Nondurable goods	-1.2	1.6	1.9	3.1	-0.1	-4.8	-5.2	3.1	0.4	3.0	3.3	-2.6	2.3	3.4	3.9	1.4	0.0	-1.0	-2.4	5
6	Services	2.3	2.4	2.7	2.0	2.1	1.6	2.3	2.9	3.0	2.5	2.0	2.4	2.0	3.3	2.6	2.7	2.5	2.7	1.6	6
Addenda:																					
27	Final sales of domestic product	1.1	1.9	2.2	2.5	1.2	0.2	-0.1	2.7	1.4	2.2	2.0	1.2	2.2	2.5	2.0	3.1	1.8	1.7	0.9	27
28	Gross domestic purchases	0.8	1.9	2.2	1.6	0.9	-0.4	-0.5	2.3	1.5	2.1	2.2	1.1	1.8	2.6	2.5	2.4	1.8	1.7	0.8	28
29	Final sales to domestic purchasers	0.8	1.9	2.2	1.7	1.0	-0.4	-0.5	2.3	1.6	2.0	2.2	1.1	1.8	2.6	2.5	2.4	1.8	1.7	0.8	29
30	Final sales to private domestic purchasers	0.9	1.7	2.1	1.6	1.1	-0.3	-0.1	2.2	1.5	1.9	1.9	1.0	1.7	2.4	2.5	2.2	1.7	1.5	0.8	30
31	Gross national product (GNP)	1.1	1.9	2.2	2.4	1.2	0.1	-0.2	2.7	1.4	2.3	1.9	1.2	2.2	2.5	1.9	3.0	1.8	1.7	31
32	GDP excluding food and energy ¹	1.4	1.9	2.2	1.9	1.4	0.5	0.6	2.3	2.0	2.1	2.2	1.3	1.8	2.4	2.4	2.9	1.9	2.0	1.3	32
33	Gross domestic purchases excluding food and energy ¹	1.1	1.8	2.1	1.5	1.1	0.4	0.4	2.1	1.7	1.8	1.9	1.5	1.7	2.1	2.4	2.5	1.8	1.8	1.3	33
34	PCE excluding food and energy ¹	1.7	1.6	1.9	1.8	1.5	1.0	1.7	2.1	2.0	1.5	1.6	1.3	1.4	2.1	2.2	2.1	1.6	1.8	1.3	34
35	Market-based PCE ²	0.8	1.5	1.8	1.8	1.0	-0.3	-0.3	2.0	1.4	1.7	2.1	0.0	1.4	2.5	2.3	2.0	1.2	1.2	0.8	35
36	Market-based PCE excluding food and energy ^{1,2}	1.4	1.3	1.6	1.6	1.3	1.0	1.4	1.6	1.7	1.1	1.5	0.5	1.1	1.7	2.0	2.2	1.2	1.5	1.6	36

FRED — 5-Year, 5-Year Forward Inflation Expectation Rate



Shaded areas indicate U.S. recessions

Source: Federal Reserve Bank of St. Louis

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United States Instrument Futures: Fed Funds - Effective Fed Effective Rate 2.45

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

Current Implied Probabilities

Dates Meeting Calculation Calculated 05/01/2019 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
06/19/2019	0.0%	9.5%	0.0%	0.0%	0.0%	9.5%	90.5%	2.38
07/31/2019	0.0%	20.3%	0.0%	0.0%	1.1%	19.2%	79.7%	2.35
09/18/2019	0.0%	36.1%	0.0%	0.2%	4.7%	31.2%	63.9%	2.30
10/30/2019	0.0%	43.3%	0.0%	0.7%	7.7%	34.8%	56.7%	2.27
12/11/2019	0.0%	56.7%	0.2%	2.4%	14.1%	40.0%	43.3%	2.21
01/29/2020	0.0%	62.5%	0.5%	3.9%	17.6%	40.5%	37.5%	2.18

Source: Bloomberg, LP.

