FOMC left rates Unchanged

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About the Federal Open Market Committee (FOMC)

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals.
The Federal Reserve Act of 1913 gave the Federal Reserve responsibility for setting monetary policy.

The Federal Reserve controls the three tools of monetary policy – **Open Market Operations, The Discount Rate, and Reserve Requirements** which influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and in this way alters the federal funds rate.

The **FOMC** is responsible for open market operations and consists of **12 members** and holds **8** regularly scheduled **meetings per year**. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

Changes in the federal funds rate trigger a chain of events that affect:

1) Short -Term interest rates
2) Long - Term interest rates
3) Foreign exchange rates
4) The amount of money and credit

10th June'20 - FOMC Meeting Decision & Outlook.

The FOMC decided to maintain the target range of Federal Fund Rate to 0 to 1/4% by keeping in view of data released since April'20:

- The coronavirus outbreak is causing tremendous human and economic hardship across the United States and around the world.
- The virus and the measures taken to protect public health have induced sharp declines in economic activity and a surge in job losses.
- Weaker demand and significantly lower oil prices are holding down consumer price inflation.
- Financial conditions have improved, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses.
- Economic activity has been rising at a moderate rate.

The ongoing public health crisis will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term.

In light of global economic and financial developments and muted inflation pressures, **Committee decided to maintain the target range for the federal funds rate to 0 to 1/4 percent.** The Committee expects to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals.

-Decline in real GDP in the current quarter is likely to be the most severe on record.

-Even after the unexpectedly positive May employment report, nearly 20 million jobs have been lost on net since February, and the unemployment rate has risen about 10 percentage points to 13.3 percent.

-Conduct overnight reverse repurchase agreement operations at an offering rate of 0% and with a per-counterparty limit of $30 billion per day.

In determining the timing and size of future changes to stance of monetary policy, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2% inflation objective.

The Committee will continue to monitor the following for future adjustments.

- Labor Market Conditions.
- Indicators of inflation pressures and inflation expectations.
- Readings on financial and international developments.