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

Key observations from Press conference:

- *While low and stable inflation is certainly a good thing, inflation that runs persistently below our objective can lead longer-term inflation expectations to drift down, pulling actual inflation even lower. In turn, interest rates would be lower as well—closer to their effective lower bound. As a result, we would have less room to reduce interest rates to support the economy in a future downturn, to the detriment of American families and businesses. We have seen this dynamic play out in other economies around the world, and we are determined to avoid it here in US.*
- *Over the first half of this year, we intend to adjust the size and pricing of repo operations as we transition away from their active use in supplying reserves. This process will take place gradually and, as indicated in today's FOMC Directive to the Desk, we expect to continue offering repos at least through April to ensure a consistently ample supply of reserves.*

29th January '20 - FOMC Meeting Decision & Outlook.

The FOMC decided to maintain the target range of Federal Fund Rate to 1-1/2 to 1-3/4% by keeping in view of data released since December'19 which indicates:

- The labor market remains strong
- Economic activity has been rising at a moderate rate.
- Job gains have been solid, on an average in the recent months and the unemployment rate has remained low.
- Household spending has been rising at a strong pace, business fixed investment and exports remain weak.
- On a 12-month basis, overall inflation and inflation for items other than food and energy are running below 2%.
- Market-based measures of inflation compensation remain low.
- Survey based measures of longer-term inflation expectations are little changed.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability.

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 1-1/2 to 1-3/4 percent.** This action supports the Committee's view that sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective are the most likely outcomes, but uncertainties about this outlook remain.

In determining the timing and size of future changes to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2% inflation objective.

The Committee will also carefully monitor the following for future adjustments.

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