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

Fed Chairman Jerome Powell said in a press conference following the end of the central bank's latest two-day policy meeting that "Our current policy stance was broadly appropriate, and that we should be patient in assessing the need for any changes". Secondly, many FOMC participants now see that the case for somewhat more accommodative policy has strengthened.

19th June' 19 - FOMC Meeting Decision & Outlook.

The FOMC left the target range of Federal Fund Rate unchanged at 2.25% - 2.50% by keeping in view of data released in May'19 such as,

- The labor market remains strong
- Economic activity is rising at a moderate rate.
- Job gains have been solid, on an average in the recent months and the unemployment rate has remained low.
- Growth of household spending appears to have picked up from earlier in the year, indicators of business fixed investment have been soft.
- On a 12-month basis, overall inflation and inflation for items other than food & energy are running below 2%.
- Market-based measures of inflation compensation have declined.
- 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 these uncertainties and muted inflation pressures, the Committee will closely monitor the implications of incoming information for the economic outlook and will act as appropriate to sustain the expansion, with a strong labor market and inflation near its symmetric 2% objective.

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