<u>FOMC Update – April 1, 2019</u>
By Steve Brown, President & CEO of PCBB

The FOMC left rates unchanged at today's policy meeting, acknowledging the overall strength in the economy, while also alluding to continued slowing in household and consumer spending, along with softening inflation. Although economic expansion and labor market strength will likely be sustained in coming months, the need for patience was once again highlighted given the above. Overall the statement was viewed as a further softening in Fed tone as the committee positions itself for the eventual end of the normalization campaign, absent an unexpected surge in economic activity.

Rates and Market:

- Fed Funds Target: 2-1/4% - 2-1/2%
- Policy Bias: Neutral
- Market Reaction: yields dropped 3bps immediately following the release

The FOMC announced the following actions and analysis:

- 10-0 vote
- Economic activity has been rising at a solid rate
- Inflation has declined and is below 2%
- Risks to economic outlook appear balanced

The Statement:

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.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. In support of these goals, the 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.

In determining the timing and size of future adjustments 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 percent inflation objective. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.

Voting for the FOMC monetary policy action were: Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michelle W. Bowman; Lael Brainard; James Bullard; Richard H. Clarida; Charles L. Evans; Esther L. George; Randal K. Quarles; and Eric S. Rosengren.

About Steve Brown:

Steve has over 30 years of banking and capital markets experience, is frequently quoted in the press on banking issues and trends and is a regular speaker at industry conferences. He is also the author of the popular Banc Investment Daily, distributed to over 75,000 community bankers and regulators nationwide. Steve joined PCBB in 2002, where he was CEO of its broker dealer subsidiary and later became President/CEO of PCBB in 2007. Prior to joining PCBB, Steve was cofounder of a financial technology (fintech) company; ran a sales group at Bank of America Securities focused on community banks; and was on the sales team at the world's largest wholesale broker of federal funds, interest rate hedging and foreign exchange. Steve began his banking career in the finance and treasury departments of a large community bank in Arizona in the mid-1980's.