

FOMC Meeting: Key Takeaways

September FOMC Meeting | September 21, 2016

Policy Announcement

Although the Federal Open Market Committee (FOMC) mentioned that “near-term risks to the economic outlook appear roughly balanced,” they decided to maintain the federal funds target rate at $\frac{1}{4}$ to $\frac{1}{2}$ percent. Monetary policy remains accommodative—supporting further improvement in labor-market conditions and a return to two-percent inflation.

Topic	Details
Stated Reasons	<p>Although the unemployment rate is little changed, job gains have been solid. Household spending has strengthened, but business fixed investment has remained soft.</p> <p>Market-based measures of inflation remain low; survey-based measures of longer-term inflation expectations also remain low and little changed in recent months.</p>
Looking Forward	<p>The FOMC continues to expect that economic conditions will warrant only gradual rate increases, and the federal funds rate is expected to remain below longer-run levels for some time.</p> <p>Seven of the FOMC voting members voted for no increase at this meeting, while three voted to raise rates (George, Mester, and Rosengren). This is a change from July’s meeting where there was only one dissension.</p> <p>New economic projections were released. Most notable was the decrease in longer-run gross domestic product (GDP) projections which were revised down to 1.8 percent from 2.0 percent from the June projections. Federal funds rate projections also declined by 0.5 percent in both 2017 and 2018.</p> <p>Market expectations for a December interest-rate hike were mostly unchanged following the statement and suggest a 60-percent probability.</p>
What Else?	<p>The statement stated that the case for a rate hike has strengthened. The overall tone of the FOMC statement release signaled that a hike in late 2016 is likely, but additional evidence of data improvement will be required.</p> <p>The future stance of monetary policy remains data-dependent.</p> <p>While the likelihood of a near-term rate increase is high, the decline in longer-run growth projections suggest that the Federal Reserve (Fed) will keep rates low for a considerable period of time.</p> <p>The market reaction to the statement was modest—with domestic yields marginally lower and equity markets slightly higher after the release. The U.S. dollar was slightly lower, while commodities were a tick higher following the statement release.</p> <p>Given the lack of market volatility, the FOMC decision today was priced into the market.</p>
Meeting Schedule	<p>November 2 December 14 * February 1 March 15 *</p> <p>* Indicates press conference occurring as well.</p>

Disclaimers

Global Investment Strategy (GIS) is a division of Wells Fargo Investment Institute, Inc. (WFII) WFII is a registered investment adviser and wholly-owned subsidiary of Wells Fargo & Company and provides investment advice to Wells Fargo Bank, N.A., Wells Fargo Advisors and other Wells Fargo affiliates. Wells Fargo Bank, N.A. is a bank affiliate of Wells Fargo & Company.

The information in this report was prepared by Global Investment Strategy. Opinions represent GIS' opinion as of the date of this report and are for general information purposes only and are not intended to predict or guarantee the future performance of any individual security, market sector or the markets generally. GIS does not undertake to advise you of any change in its opinions or the information contained in this report. Wells Fargo & Company affiliates may issue reports or have opinions that are inconsistent with, and reach different conclusions from, this report.

This report is not intended to be a client-specific suitability analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities. Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon.

Wells Fargo Advisors is registered with the U.S. Securities Exchange Commission and the Financial Industry Regulatory Authority, but is not licensed or registered with any financial services regulatory authority outside of the U.S. Non-U.S. residents who maintain U.S.-based financial services account(s) with Wells Fargo Advisors may not be afforded certain protections conferred by legislation and regulations in their country of residence in respect of any investments, investment transactions or communications made with Wells Fargo Advisors.

Wells Fargo Advisors is the trade name used by two separate registered broker-dealers: Wells Fargo Advisors, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, non-bank affiliates of Wells Fargo & Company. CAR 0916-04083