

[theme music]

A dark background with financial graphs, the words 'FOMC' with money graphics across it scrolls across the screen in segments. FOMC graphic then scales down to the full title in blue that reads, 'FOMC UPDATE'. The scene fades to black.

A male host named Tim Sustak stands in front of two bookcases with various books and decorations on them. Below him is a gray graphic with a blue border on top and white letters that reads, 'Federal Open Market Committee Update- Tim Sustak Chief Treasury Officer September 19, 2024.

Tim: Hi, I'm Tim Sustak, chief treasury officer with Vizo Financial, and this is your FOMC update for the September 2024 meeting.

Tim: At its latest meeting, the FOMC chose to decrease the target fed funds range 50 basis points, to a level of 4.75 to 5.00 percent, and they also reduced the rate on reserve balances 50 basis points to a level of 4.90 percent. The decision was not unanimous with Michelle Bowman, a member of the Board of Governors of the Federal Reserve, as the lone dissent who favored a 25-basis point decrease. However, the 50-basis point decrease was what the markets seemed to want, and was maybe a bit of a surprise for some who were thinking the cut should be 25 basis points like Fed Governor Bowman. The post meeting statement noted solid economic activity, slowing job gains, and that inflation made further progress towards the committee's 2 percent goal but remains elevated. The committee also indicated that the 50-basis point decrease in rates was due to the progress made on inflation and in the balance of risks concerning their dual mandate of price stability and maximum employment.

Tim: September is also a month where we receive an update to the Fed's Summary of Economic Projections, or SEP. The dot plot concerning rate projections showed an additional 50 basis point reduction in rates for 2024 on top of the 50-basis point decrease this month, as well as another 100 basis points of reduction in 2025 and 50 basis points of reduction in 2026. We'll see if Chair Powell gave us any additional information about the choice to cut rates 50 basis points, or on future interest rate strategy, in his press conference, after the break.

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Tim: Welcome back! In Chair Powell's prepared remarks, he described the economy as one that continues to grow at a solid pace, where labor market conditions have continued to cool, and also where inflation has eased but remains above the committee's longer run goal of 2 percent. He indicated that the upside risks to inflation have diminished and the downside risks to employment have increased, bringing the risks to the committee's inflation and employment goals roughly in balance.

Tim: He explained this more fully in the question-and-answer session. He said that labor market levels are still good and at or close to full employment, but there is some evidence that recent labor market data could be revised down. Also, there has been some recent cooling in the labor numbers as well, and

the time to help the labor market is when it's still strong, in an effort to keep it there; thus, the rate cut made at this meeting. Chair Powell indicated there was broad support for the 50-basis point cut, and that all participants wrote down cuts in 2024 for the Summary of Economic Projections, which had not been the case in recent previous projections. He mentioned that the committee will continue to make rate decisions meeting by meeting and that they are in no rush to get to the neutral rate, which based on the Fed's projections is estimated to be about 3 percent. Chair Powell emphasized that the 50-basis point cut was designed to keep a solid economy and labor market in that condition and is not a sign the Fed feels they are behind on lowering rates.

Tim: So, we are starting on the downhill slide in rates, but we do not know how steep the slope will be. The Fed is likely to do on the downside what it did on the upside; that is analyze the data as it comes out and make decisions, over time and as transparent as possible, that they feel give the economy the best chance of continuing to grow and avoiding recession. So far, they have done a pretty good job of that, and the soft-landing scenario still seems to be the base case. That is not the usual course of events, but it will be great news for all of us if the Fed pulls it off. That's the FOMC update for September. Thanks for watching and be well.

White screen with blue, red and green paint splashing together to form Vizo Financial logo. Logo fades to a green Vizo Financial logo 'V', a red heart and the words, "CUs" in green on a light gray background. Dark gray words appear underneath that read, 'A Vizo Financial Production.'

Logo fades out and disclaimer text appears on screen.

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