

Short Note US Fed

FOMC monetary policy decision

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US Fed: No thought of changing course

As expected, the FOMC did not decide to change monetary policy at the meeting that ended yesterday. The Fed's monetary policy-making body also left the outlook unchanged. Only the assessment of the latest economic data reflected the recent weak data. Risks are now seen mainly in the short term, but a strong economic recovery is still expected for the second half of the year, Fed Chairman Powell explained in the press conference.

Powell did not tire of emphasizing how long the road to a full economic recovery still was. His answers to questions about a possible increase in the inflation rate also showed that the FOMC expects a continued very expansionary monetary policy. Inflation should rise in the spring due to base effects, but this should be temporary. Powell rated the inflation risks from a strong increase in demand due to catch-up effects with the end of the pandemic as low. At most, the FOMC expected that this could lead to a small temporary increase in the inflation rate. Finally, Powell was not concerned that the stimulus packages from the public sector could be too large and thus fuel inflation. Compared to the long-term determinants of low inflation, such as population ageing, technological advances and globalization, the stimulus packages should have little impact on inflation.

Although it was not explicitly mentioned, Powell today seemed to want to put an end to any nascent talk of a foreseeable end to the current monetary policy. He made it clear that the FOMC had no intention of changing the ultra-loose monetary policy and rated the risks of this as very low through his comments.

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Note: Past performance is not necessarily indicative of future results.

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