First Trust
ECONOMIC RESEARCH REPORT
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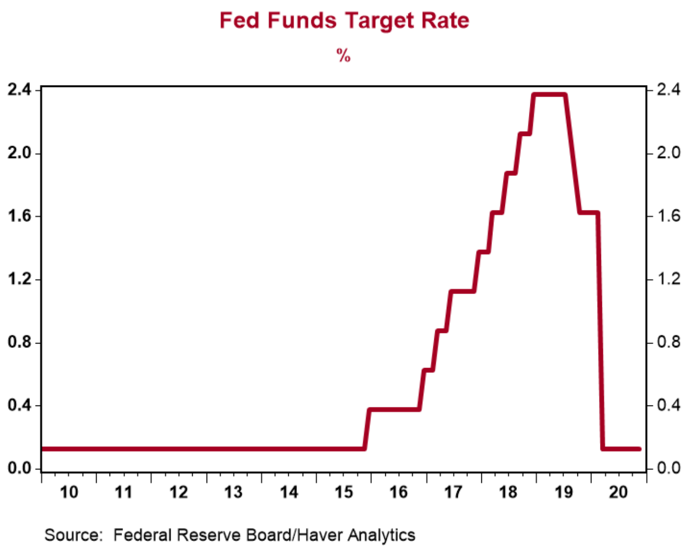
Not Much to Miss

If you hadn't known that there was a Federal Reserve statement coming out today, you wouldn't have missed much. As if 2020 wasn't weird enough, there was a Federal Reserve meeting, and a new statement from the FOMC today, and virtually no one noticed. We guess that makes sense given everything that is going on. But, don't fret - nothing changed.

While the elections delayed the timing of this week's Federal Reserve meetings, that's about as far as the election impacts went. If Biden wins, the Fed will be keeping rates at zero for the foreseeable future. If Trump wins, the Fed will be keeping rates at zero for the foreseeable future. COVID-19, not politics, has the Fed in full-on accommodation mode, as the significant uptick in unemployment back in March and April will take years to get back to the Fed's longer-term target of around 4%. In other word's sit back, relax, and don't expect much new out of the Fed until the economy further improves by a significant amount.



Questions during Chair Powell's press conference focused on the outlook for further stimulus from both the Fed and Congress. As per usual, Powell reiterated his belief that the current stance of monetary policy is appropriately accommodative, but the Fed has more tools at its disposal should they be needed in the future. He did emphasize that the Fed is a lender, not a spender. The latter role falls to Congress, and the Fed has no plan (or desire) to reach beyond its mandate in an attempt to stimulate the recovery. We may see further stimulus spending out of Washington before year-end, but the highly likely holding of the Senate by the Republicans reduces the chance of a blowout package that also subsidizes the states. We do wonder if this could lead the Fed to lend more to states that face financial problems. We will see.

The recovery is underway, and while uncertainty remains about COVID-19 as well as the results of the election, one thing that looks certain is that the Fed will keep the monetary policy pedal to the metal through the remainder of this year and far beyond.

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Text of the Federal Reserve's Statement:

The Federal Reserve is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals.

The COVID-19 pandemic is causing tremendous human and economic hardship across the United States and around the world. Economic activity and employment have continued to recover but remain well below their levels at the beginning of the year. Weaker demand and earlier declines in oil prices have been holding down consumer price inflation. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses.

The path of the economy will depend significantly on the course of the virus. The ongoing public health crisis will continue to weigh on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. With inflation running persistently below this longer-run goal, the Committee will aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent. The Committee expects to maintain an accommodative stance of monetary policy until these outcomes are achieved. The Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time. In addition, over coming months the Federal Reserve will increase its holdings of Treasury securities and agency mortgage-backed securities at least at the current pace to sustain smooth market functioning and help foster accommodative financial conditions, thereby supporting the flow of credit to households and businesses.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on public health, labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michelle W. Bowman; Lael Brainard; Richard H. Clarida; Mary C. Daly; Patrick Harker; Robert S. Kaplan; Loretta J. Mester; and Randal K. Quarles. Ms. Daly voted as an alternate member at this meeting.