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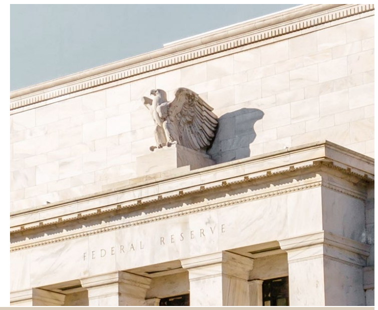

FOMC Meeting: Key Takeaways

July FOMC meeting **July 31, 2024**

Policy announcement

The Federal Open Market Committee (FOMC or the Committee) kept the federal funds rate unchanged at 5.25% – 5.50% for the eighth straight meeting. The FOMC stated that it "does not expect it will be appropriate to reduce the federal funds target range until it has gained greater confidence that inflation is moving sustainably toward 2%." The Federal Reserve (Fed) continues reducing its holdings of U.S. Treasury securities and agency mortgage-backed securities, under the updated monthly cap of $25 billion and $35 billion, respectively.

Stated reasons

- Recent indicators suggest that economic activity has continued to expand at a solid pace. Job gains have moderated, and the unemployment rate has moved up but remains low. Inflation has eased over the past year but remains somewhat elevated.
- The FOMC judges that the risks to achieving its employment and inflation goals continue to move into better balance. The economic outlook is uncertain, and the Committee is attentive to risks to both sides of its dual mandate (price stability and full employment).

Looking forward

- In considering any adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks.
- Also, the FOMC does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2%. The Committee will continue to take into account a wide range of information, including readings on labor market conditions, inflation pressures, inflation expectations, and financial and international developments.

What else?

- The FOMC made subtle changes to its statement that suggest it is becoming more confident that inflation is on a trajectory to reach the committee's goals. Unless economic data comes in hotter than expected over the next two months we anticipate that the FOMC will reduce the federal funds rate by 25 basis point at its next meeting announcement on September 18, 2024. Our forecast remains for two Fed rate cuts this year.
- It is important to note that the Fed has not at this time committed to a September rate cut. In our opinion upcoming jobs data and inflation reports will be key to the September decision. Stronger-than-expected employment reports and stronger-than-expected inflation data could put a September rate hike in doubt.
- We continue to position portfolios defensively. We believe fixed-income investors may benefit by being most favorable short-term fixed income and neutral intermediate- and long-term.

Upcoming meeting schedule

- September 18*| November 7 | December 18* | January 29

*Indicates the meeting is associated with a summary of economic projections. In addition, every meeting will be accompanied by a press conference.

Risk considerations

Forecasts and targets are based on certain assumptions and on views of market and economic conditions which are subject to change.

All investing involves risks including the possible loss of principal. Investments in fixed-income securities are subject to interest rate, credit/default, liquidity, inflation, and other risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. Credit risk is the risk that an issuer will default on payments of interest and principal. This risk is higher when investing in high yield bonds, also known as junk bonds, which have lower ratings and are subject to greater volatility. If sold prior to maturity, fixed income securities are subject to market risk. All fixed income investments may be worth less than their original cost upon redemption or maturity.

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