

U.S. FOMC Review

- April FOMC meeting: largely uneventful, but a few hints on future actions

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The April FOMC Meeting

The meeting of the Federal open Market Committee on April 28-29 was uneventful in that officials did not introduce any new measures after their aggressive actions in March (reducing interest rates, flooding the markets with RPs, restarting QE, introducing credit facilities). Much of the discussion at the meeting focused on conditions in financial markets, with staff presentations noting that strains and volatility evident in March had largely subsided.

In light of the March actions, officials did not discuss additional moves at this meeting, but the minutes included a long paragraph on possible steps at upcoming meetings. This discussion focused on forward guidance, with officials noting the possibility of providing outcome-based guidance (e.g. maintaining low interest rates until the unemployment rate reached a certain level) or date-based guidance (e.g. interest rates held steady for some specified period of time). While policymakers discussed such actions, they did not seem close to adopting them in the near term.

Officials also discussed the possibility of providing clarity regarding their plans for purchases of Treasury securities and MBSs. In this discussion, "several" officials noted that ongoing purchases would be helpful in keeping interest rates low. We found this comment interesting because the rationale in March for restarting QE was to promote the smooth functioning of financial markets, not to reduce interest rates. However, this passage in the minutes suggested that low rates were welcome. The statement also implied that officials wished to see low rates maintained for some time.