

U.S. FOMC Review

- FOMC Minutes: some clarity on QE

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FOMC Minutes

The December 15-16 meeting of the Federal Open Market Committee involved only one meaningful development: the Committee offered a hint of forward guidance on its Quantitative Easing program. The guidance was not especially helpful because it was vague in the extreme, noting only that the effort would be maintained “until substantial further progress has been made toward the Committee’s maximum employment and price stability goals.” A reporter at the post-meeting press conference asked Jerome Powell to provide clarity, but the Fed Chair offered little.

The minutes were a bit more edifying. Fed officials seemed to recognize the near-vacuous nature of the statement on QE, as they discussed what might constitute “substantial further progress.” Officials agreed that the assessment would be “broad, qualitative, and not based on specific numerical criteria or thresholds.” Still vague. However, the minutes also noted that officials would communicate their assessments of progress “well in advance” of a change in the program. In other words, officials do not know what might trigger a change, but they will give ample warning of a shift.

Before the meeting, many market participants speculated about a possible change in the composition of purchases; specifically, shifting the buying effort toward longer-term issues. While officials recognized that such a shift could represent additional accommodation, they were content with the current program: “Participants generally judged that the asset purchase program as structured was providing very significant policy accommodation.” Thus, steady for now.