



# MARKET News Flash

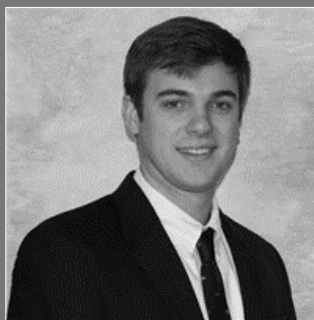
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Amerian Portfolios (AP) Chief Investment Officer Cliff T. Walsh, CFA®, brings you this AP Market News Flash offering breaking commentary on recent market conditions.

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## The U.S. Federal Open Market Committee

(FOMC) left the target range for the federal funds rate at 1.5-1.75 percent, in line with the futures' market expectations. It was also stated that the current policy "...is appropriate to support sustained expansion of economic activity, strong labor market conditions and inflation returning to the FOMC's symmetric 2 percent objective." Support of the repo market will also continue, at least through April.

The FOMC's statement on growth had one notable change. Despite growth remaining moderate and the unemployment rate low, household spending, according to the Federal Reserve (the Fed), was described as rising at a "moderate pace," a tick down from the previous characterization of "strong" in last month's statement. Inflation was also unchanged, running below 2 percent. Business spending remained described as "weak."

In addition to the official statement,<sup>1</sup> Fed Chairman Jerome Powell held a press conference after the decision was released and stated that, in the Fed's view, asset values were somewhat elevated, but not extreme, and that financial vulnerabilities were moderate overall. We agree with this assessment.

As stated in our fourth-quarter 2019 outlook, we think the Fed's impact on the financial markets will likely be muted in 2020. As we consider the Fed's potential interest rate moves, it is our view that the "wait and see approach" is likely to persist. A change in rate policy appears improbable at the current moment, only likely taking place if there were substantial surprises, either good or bad.



**“A change in rate policy appears improbable at the current moment ...”**



While we view the comments about household spending as negative on the margin, and a touch surprising as U.S. Consumer Confidence rebounded in January, the highest level since August, we are watching household spending and consumer confidence closely in an effort to stay ahead of any significant economic shortfalls.

For now, our 2020 outlook remains unchanged.

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#### Sources

<https://www.federalreserve.gov/monetarypolicy/files/monetary20200129a1.pdf>

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