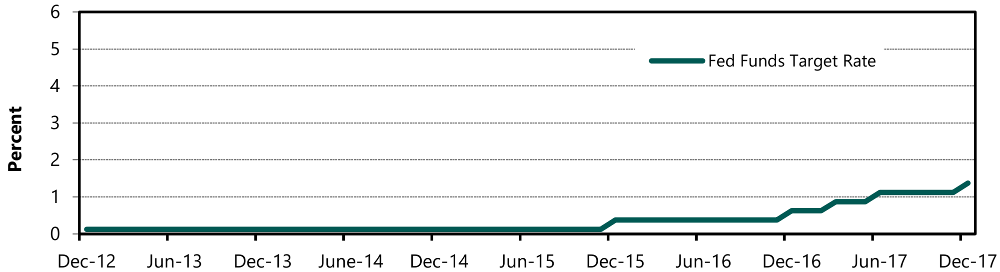
Hot Sheet

Focus on Fed Announcements

RATE HIKE TO END THE YEAR, STEADY OUTLOOK FOR 2018

FOMC Policy Statement – Wednesday, December 13, 2017



Fed Funds Target Range	
Forecast:	1.25% to 1.50%
Consensus:	1.25% to 1.50%
Actual:	1.25% to 1.50%

As widely expected, the Federal Open Market Committee raised the target range for the fed funds rate by 25 bps to 1.25% to 1.5%. There were two dovish dissents. The key change to the statement was in policymakers' assessment of inflation, noting that it had declined this year. However, the Fed relies on economic performance to decide on rates, therefore the falling unemployment rate will continue to support the FOMC's plan to gradually raise interest rates. The near-term risks to the economic outlook were described as roughly balanced again. The Fed still has three rate hikes penciled in for 2018. The long-run equilibrium fed funds rate was left at 2.75%.

Federal Open Market Committee Policy Statement

(***Italics***/***highlight*** indicate material changes in wording from last statement)

Release Date: ***December 13, 2017***

For immediate release

Information received since the Federal Open Market Committee met in ***November*** indicates that the labor market has continued to strengthen and that economic activity has been rising at a solid rate. ***Averaging through*** hurricane-related ***fluctuations, job gains have been solid, and*** the unemployment rate declined further. Household spending has been expanding at a moderate rate, and growth in business fixed investment has picked up in recent quarters. On a 12-month basis, both ***overall*** inflation ***and*** inflation for items other than food and energy have declined this year and are running below 2 percent. Market-based measures of inflation compensation remain low; survey-based measures of longer-term inflation expectations are little changed, on balance.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. Hurricane-related disruptions and rebuilding ***have affected*** economic activity, employment, and inflation in ***recent months but have*** materially ***altered*** the ***outlook for*** the national economy. Consequently, the Committee continues to expect that, with gradual adjustments in the stance of monetary policy, economic activity will expand at a moderate pace, and labor market conditions will ***remain strong***. Inflation on a 12-month basis is expected to remain somewhat below 2 percent in the near term but to stabilize around the Committee's 2 percent objective over the medium term. Near-term risks to the economic outlook appear roughly balanced, but the Committee is monitoring inflation developments closely.

In view of realized and expected labor market conditions and inflation, the Committee decided to ***raise*** the target range for the federal funds rate to 1-1/4 ***to 1-1/2*** percent. The stance of monetary policy remains accommodative, thereby supporting ***strong*** labor market conditions and a sustained return to 2 percent inflation.

In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments. The Committee will carefully monitor actual and expected inflation developments relative to its symmetric inflation goal. The Committee expects that economic conditions will evolve in a manner that will warrant gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data.

Voting for the FOMC monetary policy action were: Janet L. Yellen, Chair; William C. Dudley, Vice Chairman; Lael Brainard; Patrick Harker; Robert S. Kaplan; Jerome H. Powell; and Randal K. Quarles. ***Voting against the action were*** Charles L. Evans and Neel Kashkari, ***who preferred at this meeting to maintain the existing target range for the federal funds rate.***