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## April FOMC Meeting: Post-Meeting Statement A Blank Canvass

- The FOMC made no change to the Fed funds rate target range; the mid-point of the target range remains at 0.375 percent.
- The Committee offered no assessment of the balance of risks to its outlook while sticking with its "data dependent" mantra.

As expected, the FOMC made no change to the Fed funds rate target range, with the mid-point of the target range remaining at 0.375 percent. While some analysts expected the Committee to offer an assessment of the balance of risks to its outlook, the post-meeting statement offered no such assessment. So, in addition to offering little in the way of forward guidance on the path of the Fed funds rate, today's statement also offers little in terms of specifics as to what the Committee considers the main risks to its outlook. With the post-meeting statement offering so little in the way of forward guidance, each reader is free to draw their own conclusions and the statement can be as "dovish" or as "hawkish" as one wishes it to be.

In their assessment of current economic conditions, the Committee notes that labor market conditions continue to improve "even as growth in economic activity appears to have slowed." The FOMC did not have access to the BEA's initial estimate on Q1 real GDP, to be released tomorrow morning, but expectations of a soft headline print are pretty much universal (we show the consensus estimate of 0.6 percent growth with the red bar in our top chart). It was noted that while growth in household spending has moderated, real income growth remains solid. The statement once again notes the improvement in the housing sector while fixed investment and net exports have been "soft." It is widely agreed that the Q1 GDP growth number is not nearly as representative of the underlying health of the economy as are the labor market data, and the statement points to expectations of further improvement in labor market conditions. The passage on inflation/inflation expectations is largely the same as in the March statement.

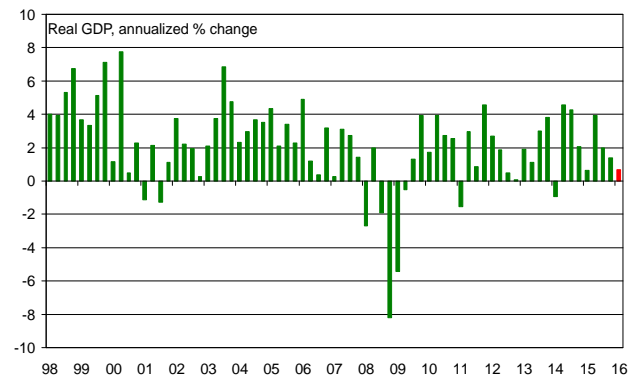
To some extent, global economic and financial risks were de-emphasized a bit in today's statement. In the March statement it was noted that "global economic and financial developments continue to pose risks" to the FOMC's outlook for growth and inflation, but that passage was stricken from today's statement. Kept in was the sentence stating the Committee continues to monitor inflation indicators and global economic and financial developments. On the whole, then, consider this a half-step towards the FOMC feeling that global conditions had stabilized to the point that the Committee could offer an assessment of risks. It is telling, at least to us, the Committee was unwilling to even venture that the risks to its outlook were "nearly balanced," a phrase used in the past.

While global economic and financial conditions have clearly stabilized over the past several weeks, it is less clear, at least to us, whether this is the result of improvement in the underlying fundamentals or merely a reaction to what has been a weaker U.S. dollar, weakening largely driven by pared back expectations as to the extent to which the FOMC will raise the funds rate this year. This of course poses a quandary for the Committee – any explicit signals that further funds rate hikes are imminent would likely trigger a new burst of dollar appreciation which in turn would likely reverse recent upturns in prices for oil, commodities, and risk assets. Some analysts had argued that the FOMC would have to offer a balanced assessment of risks in today's statement in order for the June FOMC meeting to be seen as a "live" meeting, i.e., one at which the funds rate target could be increased. That no such assessment was not put forth of course does not mean the FOMC won't raise the funds rate target in June, but one has to pick and choose from today's statement – "data dependent" is apparently in the eye of the beholder – in order to find the groundwork for a June rate hike. While some analysts are interpreting the lessened emphasis on global risks in today's statement as a clear signal the FOMC is poised to move in June, we have a hard time seeing it this way.

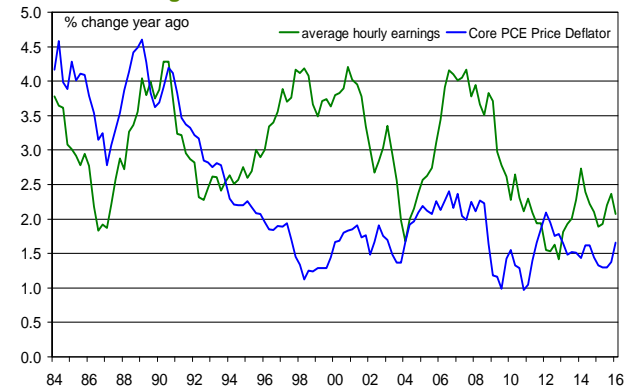
This of course gets us back to the point we made above. As the FOMC punted on offering insight into how it sees the risks to its outlook and on offering forward guidance, today's statement is basically a blank canvass that each reader can design to their liking.



### "Growth In Economic Activity Appears To Have Slowed"



### Wage And Price Pressures Still Modest



### U.S. Dollar Giving Back Some Of Its Gains

