JSB Capital Management, LLC

Pro-active Wealth Management

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Federal Reserve Bank officials voted to hold their benchmark interest rate, the Federal Funds Rate, steady at the conclusion of today's Federal Open Market Committee (FOMC) meeting, thereby skipping a rate increase for the first time in 15 months. The FOMC had raised their benchmark rate 10 times in the last year and a half.

The Federal Reserve Bank building, Washington, D.C.

The call, which was widely anticipated, keeps the target for the Fed-funds rate at 5% to 5.25%, but leaves the door open for future increases that many were forecasting to begin again at the July meeting.

"Holding the target range steady at this meeting allows the Committee to assess additional information and its implications for monetary policy," the FOMC said in a statement. The majority of the members of the Federal Open Market Committee, which sets monetary policy, expect rates to rise further, an indication they believe additional tightening is necessary as the central bank continues its fight with inflation.

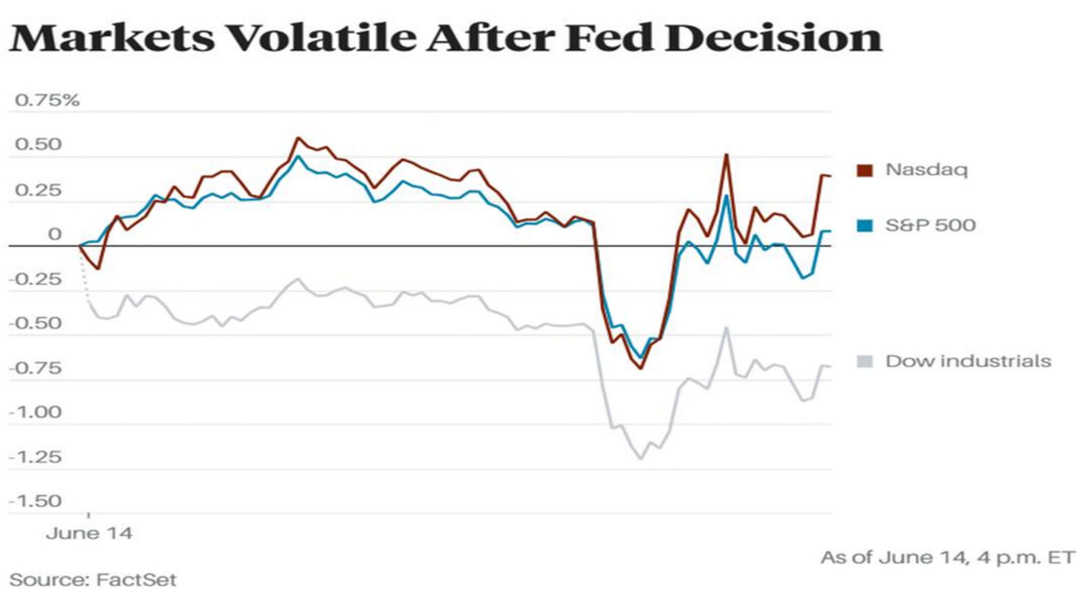
Nine of the 18 members expect to end the year with a benchmark rate between 5.5% and 5.75%, implying two more quarter-point boosts, another four voting officials forecasted rates would rise between 5.25% and 5.5% and three actually predicted they would end the year above 5.75%. Only two members said they thought rates would remain steady through the end of this year.

The most significant portion of the press conference occurred when Federal Reserve Chair Jerome Powell said: "Not a single person on the committee predicted a rate cut this year, nor do I think it is at all likely to be appropriate if you think about it." He further added: “Inflation has not really moved down—it has not so far reacted much to our existing rate hikes.”

Although FOMC forecasts predict that inflation should decline over the next couple of years, Mr. Powell said these predictions are “highly uncertain” at this stage. “Getting price stability back and restored will benefit generations of people—as long as it's sustained. It really is the bedrock of the economy, and you should understand that that is our top priority.” However, most Fed officials are now more pessimistic about their progress in reining in inflation: The last set of projections showed the Fed forecasting core Personal Consumption Expenditures index (PCE), the Fed’s most preferred inflation indicator, would close out 2023 at an undesirable level of 3.6%, still nearly 2 times higher than their target rate.

"I continue to think, and this really hasn't changed, that there is a path to getting inflation back down to 2% without having to see the kind of sharp downturn and large losses of employment that we've seen in so many past instances," Mr. Powell offered in response to press questions.

"The median participant [in the FOMC] now thinks that core PCE inflation on a 12-month basis will be 3.9% this year,” Powell said. “So once again, every year for the past three years, it's gone up over the course of the year, and that's doing that again."



Markets were volatile Wednesday after the Federal Reserve held interest rates steady,

Fed Chair Powell made it very clear that further interest rate hikes are coming this year. Accordingly, the markets reacted very negatively at the time of announcement, but slowly recovered for the most part as the trading day wore on, as the chart above depicts.

Once again, the actions of the FOMC continue to be highly predictable and therefore the strategy for the asset allocations for our portfolios will remain correspondingly consistent with their interest rate strategy.

Julia Bussie, CMT
President
JSB Capital Management, LLC
1442 Camino Del Mar, Suite 208
Del Mar, CA 92014
858-436-2400
www.jsbcap.com