

# BBVA Research Flash

U.S.

## Fed Watch: FOMC passes to next committee year

- **No new communication strategies unveiled, likely to revisit issue in January**
- **Existing reinvestment and maturity lengthening programs continued**
- **International financial conditions present significant downside risks**

The Federal Reserve today kept the target interest rate steady at 0.0% to 0.25% and maintained its existing policy of lengthening the average maturity of its system open market account portfolio. The FOMC also continued its policy of reinvesting principal into mortgage based securities. The statement released today by the FOMC revealed no new communication strategies, but highlighted the improved upturn in recent economic indicators. Despite this improved upturn of the data, the FOMC still believes the economy is suffering from a sluggish recovery and significant downside risks exist from global financial conditions. In January, we believe the Fed will unveil new communication strategies, which will coincide with the addition of fresh member to the committee. If economic conditions deteriorate rapidly due to external shocks, the committee is prepared to act with additional accommodation. However, the FOMC will continue to assess the oncoming data to gauge whether or not the economy is achieving escape velocity and the extent to which European conditions are weighing on the domestic economy.

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