

BBVA Research Flash

U.S.

Fed Watch: FOMC Statement March 13

- **FOMC statement notes improved data, but also notes downside risks continue**
- **Oil increases expected to impart transitory effect on inflation**
- **Next meeting unlikely to unveil major shift, unless conditions change abruptly**

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-backed securities. The statement highlighted improvements in labor market conditions and the unemployment rate, but noted that overall unemployment remains high. One notable change from the last statement is the FOMC's acknowledgement that recent increases in oil prices will increase inflation temporarily. However, inflation expectations remain stable. The Federal Reserve still regards the housing sector as depressed. FOMC members have stated publicly in past weeks that housing conditions are reducing the response of the economy to monetary policy accommodation. The FOMC also remained wary of global financial conditions, although they have eased compared to previous months. We expect the release of the minutes to reveal more information about the different monetary policy tools that could be implemented after the end of Operation Twist in June. We do not expect significant policy changes in the April meeting, unless economic conditions change drastically.

DISCLAIMER

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research U.S. on behalf of itself and its affiliated companies (each BBVA Group Company) for distribution in the United States and the rest of the world and is provided for information purposes only. Within the US, BBVA operates primarily through its subsidiary Compass Bank. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document have been gathered or obtained from public sources, believed to be correct by the Company concerning their accuracy, completeness, and/or correctness. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.