U.S. Flash

Fedwatch: FOMC Minutes April 25

- **Minutes reveal little additional information to inform our view of the FOMC's desires**
- **FOMC members opt for all two-day meetings henceforth, more time needed to discuss**
- **Increasing international financial instability in the time since the last FOMC meeting more of a driver of the Fed reaction function than any particular element of the minutes**

Today's release of the minutes underscored the more centrist theme of the last FOMC statement. As already known, a majority of participants believe that moderate growth over the course of 2012 will eventually result in a gradual pickup of growth. FOMC members also believe that the unemployment rate will gradually decline over time. With inflation expectations firmly anchored, a temporary increase to inflation from oil prices will soon result in inflation that is at or below the Fed's target. The text of the minutes also show that the Fed continues to rehash the same economic quandaries discussed over the past few meetings: the weight of structural factors in the unemployment rate, the exact amount of time-varying changes in the calculation of potential growth, the long-term ramifications of a large balance sheet on inflation expectations. The minutes are commensurate so far with the different scenarios we foresee for the Federal Reserve (link to brief). Chairman Bernanke and other FOMC participants have continually stated that the Fed will act if economic conditions deteriorate. Thus, it is clear that the Federal Reserve is closely monitoring conditions in financial markets and developments in Europe to gauge if a risk scenario is coming to fruition, consistent with their sentiments from the last FOMC meeting.

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