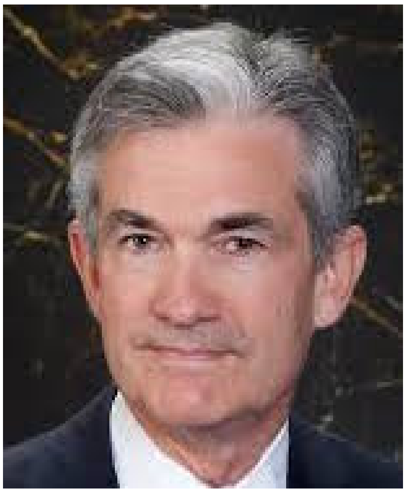
'Greatest Economy in American History' still needs Fed help

By Editorial Staff *Thu, Oct 31, 2019*

'Leverage among corporations is historically high. We're monitoring that and taking appropriate steps,' Fed chair Jerome H. Powell told reporters Wednesday after announcing a third quarter-point hike in the fed funds rate.



Citing evidence of weakness in the U.S. manufacturing sector and export levels, the Federal Reserve lowered the target fed funds rate—the rate at which banks borrow reserves from each other overnight—by 25 basis points for the third time this year, to between 1.5% and 1.75%.

"Our outlook is for moderate growth of 2%. We feel that current stance is appropriate as long as that remains our outlook," Fed chair Jerome H. Powell said during a press conference Wednesday afternoon. "I strongly believe the actions we've taken this year have been the right thing for the economy."

Powell added, "Leverage among corporations is historically high. We're monitoring that and taking appropriate steps. Corporate debt is something that we're paying quite a bit of attention to." The Fed chair declined to comment on President Trump's tweet yesterday that today's economy is "The Greatest Economy in American History!"

Asked if Fed policy could be characterized as "accommodative," Powell said yes, noting that real benchmark interest rates in the U.S. are now negative. He acknowledged that the U.S. is "not exempt" from the deflationary pressures experienced in Japan and Europe, but said that the Fed is committed to keeping inflation at or close to 2% in the U.S.

Here's the content of the statement released by the Fed Wednesday:

Information received since the Federal Open Market Committee met in September indicates that the labor market remains strong and that economic activity has been rising at a moderate rate. Job gains have been solid, on average, in recent months, and the unemployment rate has remained low.

Although household spending has been rising at a strong pace, business fixed investment and exports remain weak. On a 12-month basis, overall inflation and inflation for items other than food and energy are running below 2%. Market-based measures of inflation compensation remain low; survey-based measures of longer-term inflation expectations are little changed.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. In light of the implications of global developments for the economic outlook as well as muted inflation pressures, the Committee decided to lower the target range for the federal funds rate to 1.5% to 1.75%.

This action supports the Committee's view that sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2% objective are the most likely outcomes, but uncertainties about this outlook remain.

The Committee will continue to monitor the implications of incoming information for the economic outlook as it assesses the appropriate path of the target range for the federal funds rate.

In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2% inflation objective.

This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michelle W. Bowman; Lael Brainard; James Bullard; Richard H. Clarida; Charles L. Evans; and Randal K. Quarles. Voting against this action were: Esther L. George and Eric S. Rosengren, who preferred at this meeting to maintain the target range at 1.75% to 2%.