CHANDLER ASSET MANAGEMENT

Economic highlights from the week ending on September 22, 2017

The Federal Open Market Committee (FOMC) left the fed funds target rate unchanged at a range of 1.00%-1.25% at the September 19-20 meeting. As expected, the Committee announced that it will initiate its balance sheet normalization program in October. The process of unwinding the Fed's $4.5 trillion balance sheet will begin gradually by allowing $6 billion per month in Treasury securities and $4 billion per month in mortgage-backed securities to roll off the balance sheet. Over time, the amounts will slowly increase to $30 billion per month in Treasury securities and $20 billion per month in mortgage-backed securities. The Fed's plans to unwind the balance sheet had been widely telegraphed and the policy statement was generally in line with expectations. There were no dissenting votes among FOMC members in September. The Fed's updated economic projections still indicate that one more rate hike before year-end is expected. However, the Fed lowered its median longer-run fed funds rate projection to 2.8% from 3.0%. The Fed's other economic projections were little changed, although the median 2018 inflation forecast was lowered slightly, suggesting that the Committee now thinks inflation may remain below the Fed's 2.0% target until 2019.

Next Week

Chicago Fed National Activity Index, S&P Case Shiller HPI, New Home Sales, Consumer Confidence, Durable Goods, Pending Home Sales, GDP, Corporate Profits, Personal Income & Outlays, Consumer Sentiment

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