

FED WATCH: AT THE READY

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Unlike other [Federal Reserve \(Fed\)](#) related news since the beginning of March, the April [FOMC](#) meeting did not provide any groundbreaking headlines. The policymakers have been incredibly busy over the last six weeks, so this was not really much of a surprise. In fact, wasn't it kind of refreshing to have a Fed announcement on the scheduled day when one was expected? That being said, the Fed continued to make it abundantly clear they stand "at the ready," should the need arise.

As I've mentioned on numerous occasions, thus far, the Fed deserves high grades for their proactive and, more importantly, preemptive policy responses to the COVID-19 situation. Let's look at the timeline of actions since the beginning of March:

Date	Fed Action
3/3/2020	Intermeeting fed funds rate cut of 50 basis points to 1%-1 ¼%
3/15/2020	Second intermeeting cut to zero interest rate policy ; quantitative easing (QE4) announced; lowers primary credit rate at the discount window by 150 bps; announces U.S. dollar liquidity swaps with five key foreign central banks
3/17/2020	Announces Commercial Paper Funding Facility (CPFF) and Primary Dealer Credit Facility (PDCF)
3/18/2020	Announces Money Market Mutual Fund Liquidity Facility (MMLF)
3/23/2020	Expands QE4 with no limits; announces the Primary and Secondary Market Corporate Credit Facilities (PMCCF) and (SMCCF) and the Term Asset-Backed Securities Loan Facility (TALF)
3/31/2020	Announces the Foreign and International Monetary Authorities (FIMA) Repo Facility
4/6/2020	Announces a facility for lending to small businesses via the SBA Paycheck Protection Program
4/9/2020	Will provide up to \$2.3 trillion in loans to support economy via prior facilities and the Main Street Lending Program; announces the Paycheck Protection Program Liquidity Facility (PPPLF) and the Municipal Liquidity Facility

For definitions of terms in the table, please visit our [glossary](#).

There is no doubt the Fed realizes the gravity of the situation from an economic, as well as money and bond market, perspective. However, at this point, sometimes you have to take stock of your actions before making your next move. It is widely expected the U.S. economy will "crater" in Q2—a viewpoint echoed by Chairman Powell earlier this month. Interestingly, while Powell acknowledged that unemployment is expected to rise very high, he also noted such a development would be temporary, and that when the virus runs its course, the rebound could be "fairly quick" and "robust."

Conclusion

I wrote about the Fed's balance sheet in last week's blog, and the total increase is now up to nearly \$2.3 trillion, as of this writing. The Fed remains in "whatever it takes...and then some" mode. In fact, we believe the policymakers will be in no hurry to scale back, let alone reverse, any of their policy responses up to this point, even when the situation shows signs of improvement. Powell & Co. seem to be very cognizant of the dangers of any "false starts."

Unless otherwise stated, data source is Bloomberg, as of April 27, 2020.

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