

# Fed Watch: At the Ready

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Unlike recent Federal Reserve (Fed) related news since the beginning of March, the April FOMC<sup>1</sup> meeting did not provide any ground-breaking headlines. The policymakers had been incredibly busy, so this was not really much of a surprise. In fact, wasn't it kind of refreshing to have a Fed announcement on the regularly 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 been mentioning on numerous occasions, thus far, the Fed deserves high grades for their proactive, and more importantly, pre-emptive policy responses to the COVID-19 situation. Let's look at the timeline of actions since the beginning of March:

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 deploying your next move. It is widely expected the US economy will 'crater' in Q2, a viewpoint echoed by Chairman Powell earlier this month. It is the outlook for the recovery on the other side of the pandemic that remains a huge point of uncertainty. Although the US fiscal policy response has been unprecedented as well up to this point, the Fed also seems to be on board for additional government stimulus going forward.

Since mid-March, the Fed's balance sheet had surged by \$2.3 trillion through the end of April. 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.**

1 Federal Open Market Committee (FOMC): The branch of the Federal Reserve Board that determines the direction of monetary policy.

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