

## FOMC REMAINS ON HOLD

As expected, the FOMC voted to remain on hold at its November 1-2 meeting. There **were no material changes in the language in the Fed's official Policy Statement.** The Fed's assessment of economic and labor conditions was virtually unchanged from its September meeting, with strengthening labor markets and an economic pickup for the first half of the year and roughly balanced near-term risks to the economic outlook. It tweaked its language on inflation, saying that while inflation remains below the Fed's 2% target, the Fed removed its concerns that lower energy prices will inhibit the rise in **inflation to the Fed's target.**

Noteworthy, there were two official dissents, compared to three dissents at the September FOMC meeting. Eric Rosengren, President of the Federal Reserve Bank of Boston dropped his dissent, while Esther George of the Kansas City Fed and Loretta Mester of the Cleveland Fed maintained their dissents. Since nothing has changed since Rosengren's recent dissent and his earlier concerns that the Fed's artificially low policy rate is contributing to a bubble in commercial real estate and other distortions, *we presume that he dropped his official dissent with the understanding (and agreement) that the Fed will hike rates at its December meeting.*

**As several members of the Fed had recently noted "We're not political, but it is an election year."** That says it all. Fed Vice Chair Stanley Fischer recently emphasized at an Economic Club of New York event that the Fed has achieved its employment mandate and inflation is very close to the Fed's 2% target. In September, the Board of Directors of 9 of 12 Federal Reserve Banks officially voted to recommend to the Board of Governors of the Federal Reserve System to raise the discount rate (it ruled against raising it). At this FOMC meeting, two members FOMC members officially dissented. It can only be politics--on the eve of the Presidential and Congressional elections--that deterred the Fed from raising rates. Will the Fed look any less political if it raises rates at its December meeting following its pre-election delay?

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