

## **ShadowStats Flash Update No. 19**

**January 2020 Federal Open Market Committee Meeting**

**January 29, 2020**

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**No Changes, Just Continued Pablum Out of the January  
Federal Open Market Committee Meeting**

**Sustainable Moderate Economic Growth Purportedly Continues**

**Targeted Federal Funds Rate Held in Check**

**Reserve Building, Balance Sheet Expansion to Continue into Second Quarter**

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**Targeted Federal Funds Rate Held at 1.50% to 1.75%, As Expected**

**Expanded “Non-QE” Quantitative Easing Will Continue to Prop Systemic Liquidity**

**FOMC’s Unchanged Interest Rates and Continued Balance Sheet Expansion Were  
For the Benefit and Stability of Its Parent Banking System and for Wall Street,  
Not for the Benefit of the U.S. Consumer, Who Drives Broad Economic Activity**

**FOMC Views U.S. Economic and Employment Conditions as Near Perfection**

**There Were No Surprises Out of the January FOMC Meeting.** Today’s (January 29th) [FOMC Statement](#) indicated, and Federal Reserve Chairman Jerome Powell’s Press Conference largely confirmed that almost everything continued to be in perfect balance, except that inflation is too low, and that the Fed needs to continue building up its Balance Sheet—its Reserves—at least into Second-Quarter 2020.

As to the Fed’s Balance Sheet and Reserves, they continue to prop banking-system and financial-market liquidity. Chairman Powell admitted that the Fed had underestimated its liquidity needs, and that it would have to keep building its Reserves (Balance Sheet) into “at least” Second-Quarter 2020 (April also was mentioned). Further, the Fed would continue its “Repo” funding until it no longer was needed, and Reserves were adequate. Fortuitously for the FOMC, its next scheduled meeting on March 17th/18th allows flexibility to extend that targeted timing.

While acknowledging that U.S. Manufacturing was down last year, and that working Americans were not seeing much, if any, income growth, Chairman Powell confirmed that the U.S. economy continued its “sustainable moderate growth,” effectively at “full employment.”

**Not So Perfect.** The not so perfect U.S. economy was reviewed in yesterday’s (January 28th) [Special Bullet Edition No. 19-A](#), with extended analysis pending in *Special Bullet Edition No. 19-B*, planned for over the February 2nd weekend.

As to how the FOMC actually is doing with its “statutory mandate” from Congress of “maximum employment, stable prices and moderate long-term interest rates,” such will be reviewed fully in pending *Special Bullet Edition No. 19-B*. For example, as to Chairman Powell’s concern of inflation being too low, keep in mind that the Fed targets “Core” Personal Consumption Expenditures (PCE) Inflation (ex-food and energy), published monthly by the Bureau of Economic Analysis. PCE Inflation is heavily gimmicked, defined and weighted so as to minimize underlying inflation, and to maximize headline real, or inflation-adjusted, income or consumption growth.

**Best Wishes -- John Williams (707) 763-5786, [johnwilliams@shadowstats.com](mailto:johnwilliams@shadowstats.com)**

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