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TRENDMACRO LIVE!

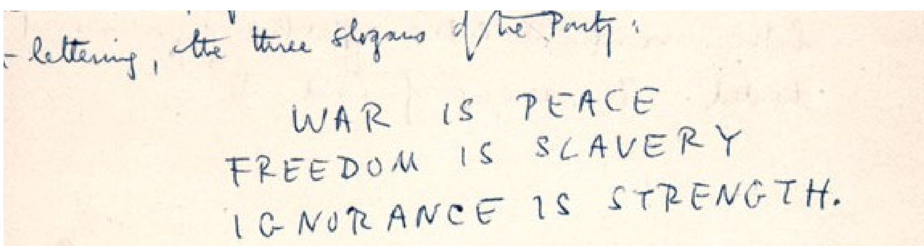
On the April FOMC

Wednesday, April 28, 2010
Donald Luskin

The Fed had nothing to say, so it said nothing. So it's no exit as far as the eye can see.

Today's FOMC statement indicates no substantive change whatsoever in Fed policy, which is exactly as we expected (see "The Scariest Chart in Economics" April 27, 2010). The statement was nearly identical in every respect to last month's, including what has become an obligatory but pointless dissent by Kansas Fed president Hoenig (see "Advice and Dissent" January 28, 2010). Analysts seeking something novel -- *anything!* -- to subject to microscopic Kremlinology will focus on the recharacterization of the labor market as "beginning to improve," from last month's "stabilizing." But even that small upgrade is hedged away in the next sentence with a reference to "high unemployment," and in the next to the fact that "employers remain reluctant to add to payrolls."

With so little of note, we find ourselves stepping back and seeing fully the web of oxymoronic platitudes that these statements have become. We love *this* sentence: "While bank lending continues to contract, financial market conditions remain supportive of economic growth." What else can the Fed say, with the economy no longer in recession, but not in expansion either?



Source: Nineteen Eighty-Four: The Facsimile of the Extant Manuscript

Bottom line

As expected, today's FOMC statement reiterated the "extended period" promise, and gave no indication of any form of exit from its policy of extreme ease. Despite a nod to the fact that "the labor market is beginning to improve," the Fed still sees the economy stuck in a sluggish recovery, and we continue to expect policy to remain ultra-accommodative all year.

Update to strategic view

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[Strategy Dashboard home]

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