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International

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Fed leaves interest rates unchanged

- The Committee reaffirmed its view that the current 0 – 0.25% target range for the federal funds rate remains appropriate.
- In determining how long to maintain this target range, the Fed will assess progress of its objectives of maximum employment and 2% inflation.
- The Committee currently anticipates that, even after employment and inflation are near mandate-consistent levels, economic conditions may for some time, warrant keeping the target federal fund rate below levels the Committee views as normal in the longer run.
- However the central bank maintained its bias towards a rate hike sometime this year, while lowering its long-term outlook for the economy.
- Fresh projections showed 13 of 17 Fed policy makers still foresee raising rates at least once in 2015, down from 15 at the last meeting in June. Four policy makers now believe rates should not be raised until at least 2016, compared to two who felt that way in June.
- U.S. stock briefly climbed to a new session high before turning lower in volatile trading.
- The market took the decision as a dovish decision, as the yield on the 2- year U.S Treasury plunged 12.95% while U.S stocks SPX, +0.40% struggled for direction.
- The VIX and the JPMorgan Emerging Market Bond Index fell 7.82% and 1.11% respectively as seen in the following chart.



Source : Bloomberg

- The FOMC also released a new Summary of Economic Projections
- The median projection for the unemployment rate fell 0.3pp to 5.0% in 2015Q4 and 4.8% in 2016Q4.
- The median projection for core PCE inflation rose 0.1pp to 1.4% in 2015Q4, while headline inflation fell 0.3pp to 0.4% in 2015Q4.

The following table shows a snapshot of key current economic indicators in the U.S.

Current U.S economic condition													
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Consumer Prices													
Consumer Price Index (yoy %)	1.7	1.7	1.3	0.8	-0.1	0	-0.1	-0.2	0	0.1	0.2	0.2	
CPI ex-Food & Energy (yoy %)	1.7	1.8	1.7	1.6	1.6	1.7	1.8	1.8	1.7	1.8	1.8	1.8	
PCE Price Index (yoy %)	1.5	1.4	1.2	0.8	0.2	0.3	0.3	0.2	0.2	0.3	0.3		
Core PCE Index (yoy %)	1.6	1.5	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.2		
Consumer Price Index (mom %)	0.1	0.1	-0.3	-0.3	-0.7	0.2	0.2	0.1	0.4	0.3	0.1	-0.1	
CPI ex-Food & Energy (mom %)	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.3	0.1	0.2	0.1	0.1	
Producer Prices													
PPI Final Demand (mom%)	-0.2	0.3	-0.3	-0.3	-0.7	-0.4	0	-0.1	0.4	0.4	0.2	0	
PPI Final Demand ex Foods & Energy (mom%)	-0.2	0.5	0	0.2	0	-0.4	0	0.2	-0.2	0.3	0.3	0.3	
PPI Final Demand (yoy%)	1.6	1.5	1.4	1.1	0	-0.6	-0.8	-1.3	-1.1	-0.7	-0.8	-0.8	
PPI Final Demand ex Foods & Energy (yoy%)	1.6	1.8	1.8	2.1	1.6	1	0.9	0.8	0.6	0.8	0.6	0.9	
Labor Market													
Unemployment Rate (%)	5.9	5.7	5.8	5.6	5.7	5.5	5.5	5.4	5.5	5.3	5.3	5.1	
Initial Jobless Claims (weekly)	292	283	296	293	284	327	267	262	277	282	269	281	264
Continuing Claims (weekly)	2404	2408	2469	2431	2346	2414	2308	2229	2272	2327	2278	2263	223
Chg. in NonFarm Payrolls (mom, 000s)	250	221	423	329	201	266	119	187	260	245	245	173	7
Chg. in Private Payrolls (mom, 000s)	235	218	414	319	202	261	117	189	252	218	224	140	
Chg. in Mfg. Payrolls (mom, 000s)	9	23	45	19	17	3	6	0	6	1	12	-17	
Average Weekly Hours All Private Employees	34.5	34.6	34.6	34.6	34.6	34.6	34.5	34.5	34.5	34.5	34.5	34.6	
Average Weekly Hours Non-Farm Private Employees	33.7	33.8	33.8	33.8	33.7	33.8	33.7	33.6	33.6	33.7	33.7	33.7	
Total Employment in Labor Force (mn)	146.6	147.3	147.3	147.4	148.2	148.3	148.3	148.5	148.8	148.7	148.8	149	
Net Change in Total Employment in Labor Force (000s)	156	653	71	111	759	96	34	192	272	-56	101	196	

Source : Bloomberg

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