

The US Federal Reserve maintained status quo on Federal funds rates

The Board of Governors of the Federal Reserve System left unchanged the federal funds rate at 0.25 percent and interest rate paid on required and excess reserve balances at 0.50 percent.

The Federal Open Market Committee in its statement on November 2, 2016 kept interest rates unchanged but strongly signaled that it could hike in December as the economy gathers momentum and inflation pick up. It could tighten monetary policy by the end of this year as the labor market improved further and job gains were robust in recent months.

The Federal Reserve has made the following decisions to implement the monetary policy stance announced by the Federal Open Market Committee in its statement on November 2, 2016.

The Board of Governors of the Federal Reserve System left unchanged the interest rate paid on required and excess reserve balances at 0.50 percent.

- Effective November 3, 2016, the Federal Open Market Committee directs the Desk to undertake open market operations as necessary to maintain the federal funds rate in a target range of 1/4 to 1/2 percent.
- These should include overnight reverse repurchase operations (and reverse repurchase operations with maturities of more than one day when necessary to accommodate weekend, holiday, or similar trading conventions) at an offering rate of 0.25 percent.
- The amounts for this are limited only by the value of Treasury securities held outright in the System Open Market Account that are available for such operations and by a per-counterparty limit of \$30 billion per day.
- The Committee further directed the Desk to continue rolling over maturing Treasury securities at auction and to continue reinvesting principal payments on all agency debt and agency mortgage-backed securities in agency mortgage-backed securities.
- The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency mortgage-backed securities

transactions.

- The Board of Governors of the Federal Reserve System took no action to change the discount rate (the primary credit rate), which remains at 1.00 percent.

Please contact for any query related to this mail to Ms. Rashmi Singh, Associate Economist at rashmi.singh@phdcci.in with a cc to Dr. S P Sharma, Chief Economist, PHD Chamber of Commerce & Industry.

Warm regards,

Dr. S P Sharma
Chief Economist & Director-Research

PHD Chamber of Commerce and Industry
PHD House, 4/2 Siri Institutional Area
August Kranti Marg, New Delhi-110016
Ph.: + 91-11-26863801-04, 49545454 Ext (135)
Fax: +91- 26855450, 49545451
Email: spsharma@phdcci.in
Website: www.phdcci.in

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PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016

Tel: +91-11-26863801-04, 49545454, Fax: 91-11-26855450, Email : research@phdcci.in, Website : www.phdcci.in