

The US Federal Reserve raised key interest rates by 25 basis points to between 0.75 per cent and 1.00 per cent

The Board of Governors of the Federal Reserve System decided to raise the target range for the federal funds rates between 0.75 per cent and 1.00 per cent on March 15, 2017, citing progress in labor market growth, business fixed investment and inflation.

The Federal Open Market Committee (FOMC), said that it's cautious, yet generally positive, economic statement follows a slew of improving data, including better-than-expected ISM manufacturing growth, strong consumer confidence reports and solid payroll gains. In addition, the unemployment rate has hovered around 5% for the past year and Inflation has started to show signs of improvement after running below the Fed's 2% target for years.

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 March 15, 2017:

The Board of Governors of the Federal Reserve System voted unanimously to raise the interest rate paid on required and excess reserve balances to 1.00 percent, effective March 16, 2017.

- Effective March 16, 2017, 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 3/4 to 1 percent.
- These should include 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 0.75 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 voted unanimously to approve a 1/4 percentage point increase in the primary credit rate to 1.50 percent, effective March 16, 2017.

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,

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