

FED WATCH: AT THE READY

Kevin Flanagan – Head of Fixed Income Strategy
05 May 2020

Unlike recent Federal Reserve (Fed) related news since the beginning of March, the April FOMC¹ meeting did not provide any ground-breaking headlines. The policymakers had been incredibly busy, so this was not really much of a surprise. In fact, wasn't it kind of refreshing to have a Fed announcement on the regularly scheduled day when one was expected? That being said, the Fed continued to make it abundantly clear they stand 'at the ready' should the need arise.

As I've been mentioning on numerous occasions, thus far, the Fed deserves high grades for their proactive, and more importantly, pre-emptive policy responses to the COVID-19 situation. Let's look at the timeline of actions since the beginning of March:

Date	Fed Action
3/3/2020	Intermeeting ½ point fed funds rate cut to 1%-1 ¼%
15/3/2020	Second intermeeting cut to zero interest rate policy; quantitative easing (QE4) announced; lowers primary credit rate at the discount window by 150 bps; announces US dollar liquidity swaps with 5 key foreign central banks
17/3/2020	Announces Commercial Paper Funding Facility (CPFF) and Primary Dealer Credit Facility (PDCF)
18/3/2020	Announces Money Market Mutual Fund Liquidity Facility (MMLF)
23/3/2020	Expands QE4 with no limits; announces the Primary and Secondary Market Corporate Credit Facilities (PMCCF) and (SMCCF) and the Term Asset-Backed Securities Loan Facility (TALF)
31/3/2020	Announces the Foreign and International Monetary Authorities (FIMA) Repo Facility
6/4/2020	Announces a facility for lending to small businesses via the SBA Paycheck Protection Program
9/4/2020	Will provide up to \$2.3 trillion in loans to support economy via prior facilities and the Main Street Lending Program; announces the Paycheck Protection Program Liquidity Facility (PPPLF) and the Municipal Liquidity Facility

There is no doubt the Fed realizes the gravity of the situation from an economic, as well as money and bond market perspective. However, at this point, sometimes you have to take stock of your actions before deploying your next move. It is widely expected the US economy will 'crater' in Q2, a viewpoint echoed by Chairman Powell earlier this month. It is the outlook for the recovery on the other side of the pandemic that remains a huge point of uncertainty. Although the US fiscal policy response has been unprecedented as well up to this point, the Fed also seems to be on board for additional government stimulus going forward.

Since mid-March, the Fed's balance sheet had surged by \$2.3 trillion through the end of April. The Fed remains in "whatever it takes...and then some" mode. In fact, we believe the policymakers will be in no hurry to scale back, let alone reverse, any of their policy responses up to this point, even when the situation shows signs of improvement.

Powell & Co. seem to be very cognizant of the dangers of any 'false starts'.

Unless otherwise stated, data source is Bloomberg, as of April 27, 2020.

¹ Federal Open Market Committee (FOMC): The branch of the Federal Reserve Board that determines the direction of monetary policy.

View the online version of this article [here](#).

Important Information

Marketing communications issued in the European Economic Area (“EEA”): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

For professional clients only. The information contained in this document is for your general information only and is neither an offer for sale nor a solicitation of an offer to buy securities or shares. This document should not be used as the basis for any investment decision. Investments may go up or down in value and you may lose some or all of the amount invested. Past performance is not necessarily a guide to future performance. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

The application of regulations and tax laws can often lead to a number of different interpretations. Any views or opinions expressed in this communication represent the views of WisdomTree and should not be construed as regulatory, tax or legal advice. WisdomTree makes no warranty or representation as to the accuracy of any of the views or opinions expressed in this communication. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares or securities in the United States or any province or territory thereof. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States.

Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.