



Basis Points 9.27.2023

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Fed Holds Interest Rates Steady

The Federal Open Market Committee (FOMC) decided to maintain the current target range for the federal funds rate at 5.25%-5.50%. Striving to achieve maximum employment and inflation at the rate of 2.0%, the Committee suggested that it would continue to assess additional information and its implications for monetary policy. In determining the extent of additional policy firming that may be appropriate to return inflation to 2.0% over time, the Committee said it would take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments. Nevertheless, the Committee projected interest rates would end the year at 5.50%-5.75%, implying another rate hike before the end of 2023. However, the FOMC stated that it would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the

Committee's goals. At Fed Chair Jerome Powell's press conference following the meeting, he indicated inflation had moderated somewhat since last year but had a long way to go before reaching the 2.0% target.

Existing Home Sales Continue to Decline

Sales of existing homes declined for the third consecutive month after retreating 0.7% in August. Existing home sales were down 15.3% from August 2022. The median existing home sales price was \$407,100, up from July's price of \$405,700 and well above the August 2022 price of \$391,700. The August median sales price has surpassed \$400,000 for the third straight month. The number of existing homes for sale in August sat at a 3.3-month supply at the current sales pace, unchanged from the July estimate. Sales of existing single-family homes decreased in August, down 1.4% from July and 15.3% from August 2022. The median existing single-family home price in August was \$413,500, up from the July price of \$411,200 and higher than the August 2022 price of \$398,800.

Eye on the Week Ahead

This is a very busy week for the release of some important economic data. The final estimate of second-quarter gross domestic product is available. The prior estimate showed the economy accelerated at an annualized rate of 2.1%. Also out this week is the August release of the report on personal income, consumer spending and consumer prices. The previous month saw income creep up 0.2%, while consumer spending rose 0.8%. The personal consumption expenditures (PCE) price index, an indicator of inflation preferred by the Federal Reserve, revealed prices rose 0.2% in July and 3.3% over the past 12 months. As with the Consumer Price Index, rising energy prices, particularly oil and gasoline, are expected to impact the overall PCE price index.

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