

**FOMC fails to calm the markets Source: [ACFX Broker \(Review and Forex Rebates up to 85%\)](#)** The S&P 500 and Dow30 indices fell more than 1% on the release of the Federal Reserve interest rate decision and statement. External crises, notably the issue of the ongoing Chinese contraction still weighs heavily on the markets. Furthermore, the markets have to deal with continuing worries about the direction of the price of crude Oil. There are fears that the move of WTI above the US\$30.00 level will turn out to be a brief rally and that the downtrend will resume in short order. In its statement, the Federal moved from its previous position of being in a *“wait and see mode”* to one where it is *“closely monitoring”* economic developments. The Federal Reserve reiterated its modest shift in its stance by saying. *“The committee is closely monitoring global economic and financial developments and is assessing their implications for the labour market and inflation”*. Although the statement was not as dovish as some market participants would have liked, its change of stance has gone some way to addressing the concerns of investors. Chairwoman, Janet Yellen and her colleagues on the Federal Reserve have given a nod to investors that global financial and stability issues are being worked into its models for employment and inflation forecasting. However, the drop in the major equity indices would seem to indicate that the FOMC’s action was not enough. The fall in the indices could be seen as a market over-reaction as it is not obvious what the Federal Reserve could do at the moment other than telling the market that it is monitoring the

developing situation from the sidelines and will be ready to act if necessary. What we did not get yesterday from the FOMC was a surprise increase in the Fed Funds rate. The strong US Dollar has restricted growth and exports and with GDP still below 2%, it was always a very unlikely that the Federal Reserve would move now. Yesterday's statement portrays an FOMC that is frustrated by the lack of solid progress that is being made towards a the United States economic lift-off. These concerns will continue to keep the FOMC dependent on what it hopes is an improvement of incoming data. This could lead to the Federal Reserve playing out a repeat scenario of 2015 where the next interest rate increase when it does happen, will be delayed until the end of this year. This means that the 4 increase dot plot forecast goes out the window. **Below are today's major news releases**

Time	Currency affected	Importance	Release	Frequency	Forecast	Prior
09:30 am	GBP	High	Prelim GDP	Quarterly	0.5%	0.4%
1:30 pm	USD	High	Core Durable Goods Orders	Monthly	-0.1%	0.0%
1:30 pm	USD	High	Unemployment Claims	Weekly	281K	293K
1:30 pm	USD	High	Durable Goods Orders	Monthly	-0.6%	0.0%
3:00 pm	USD	High	Pending Home Sales	Monthly	1.0%	-0.9%