HIGH-LIGHT OF FOMC MEETING AT 20TH SEPTEMBER, 2017:

Information received since the FOMC met in July indicates that the labor market has continued to strengthen and that economic activity has been rising moderately so far this year. Job gains have remained solid in recent months, and the un-employment rate has stayed low. Household spending has been expanding at a moderate rate, and growth in business fixed investment has picked-up in recent quarters. On a 12-month basis, overall inflation and the measure excluding food and energy prices have declined this year and are running below 2%.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. Hurricanes Harvey, Irma, and Maria have devastated many communities, inflicting severe hardship. Storm-related disruptions and rebuilding will affect economic activity in the near term,

Consequently, the Committee continues to expect that, with gradual adjustments in the stance of monetary policy, economic activity will expand at a moderate pace, and labor market conditions will strengthen somewhat further. Higher prices for gasoline and some other items in the aftermath of the hurricanes will likely boost inflation temporarily; apart from that effect, inflation on a 12-month basis is expected to remain somewhat below 2% in the near term but to stabilize around the Committee's 2% objective over the medium term.

In view of realized and expected labor market conditions and inflation, the Committee decided to maintain the target range for the federal funds rate at 1.00% to 1.25%.

Fed to un-wind financial-crisis emergency measures and begin shrinking its $4.5trn balance sheet in October:

The Fed set October for the start of their previously announced plan to shrink its $4.5trn balance sheet. The reduction in assets will be slow, just $10bn a month to start. The balance sheet run-off would follow the framework released in June: $6bn in Treasuries and $4bn in mortgage-backed securities per month, raising every 3-month until the amounts reach $30bn and $20bn per month, respectively. The Fed also anticipates ending the run-off at some point, though it doesn’t yet have a specific date.

After the FOMC, traders boosted the odds for a December hike to about 62%, based on Fed funds futures. The probability was around 50% prior to the meeting and as low as 22% on Sept. 8.