



## A Note from LAMP on Today's FOMC Meeting

March 3, 2020 - Over the past few days, the Federal Reserve (Fed) has been monitoring global developments stemming from the novel coronavirus (COVID-19) epidemic and has previously indicated a willingness to act as needed to support the U.S. economy. Making good on this promise, the Fed announced an emergency 50 basis point (0.50%) rate cut to its target rate today at 10 a.m. ET. The Fed's accompanying statement stated that "the coronavirus poses evolving risks to economic activity" and that "in light of these risks and in support of achieving its maximum employment and price stability goals, the Federal Open Market Committee (FOMC) decided today to lower the target range for the federal funds target rate by half a percentage point." This is the first emergency inter-meeting cut since October 2008.

Despite the "emergency" nature of this cut, the markets were largely expecting this move from the Fed. Yesterday, U.S. stock indices were up roughly 5% in anticipation of this move. By comparison, the yield on the two-year Treasury note has been roughly cut in half since February 19, 2020, falling from 1.42% to 0.78% today. For better or worse, the Fed risked further market volatility if it did not deliver on its promise to act. The next FOMC meeting is two weeks away on March 18, 2020, with the market pricing in an additional 25 basis point (0.25%) cut. Please feel free to [contact us](#) with any questions.

**Past performance does not guarantee future results. Any financial and/or investment decision can incur losses.** Yields can vary over time. This communication is for informational purposes only. All information is assumed to be correct but the accuracy has not been confirmed and therefore is not guaranteed to be correct. Information is obtained from third-party sources that may or may not be verified. All comments and discussion presented are purely based on opinion and assumptions, not fact. These assumptions may or may not be correct based on foreseen and unforeseen events. There is a strong correlation between the Fed Funds rates and local government investment yields.