Conference Call of the Federal Open Market Committee on March 2, 2020

A joint conference call of the Federal Open Market Committee and the Board of Governors of the Federal Reserve System was held on Monday, March 2, 2020, at 7:30 p.m.

PRESENT:
Jerome H. Powell, Chair
John C. Williams, Vice Chair
Michelle W. Bowman
Lael Brainard
Richard H. Clarida
Patrick Harker
Robert S. Kaplan
Neel Kashkari
Loretta J. Mester
Randal K. Quarles

Thomas I. Barkin, Raphael W. Bostic, Mary C. Daly, and Charles L. Evans, Alternate Members of the Federal Open Market Committee

James Bullard, Esther L. George, and Eric Rosengren, Presidents of the Federal Reserve Banks of St. Louis, Kansas City, and Boston, respectively

James A. Clouse, Secretary
Matthew M. Luecke, Deputy Secretary
Michelle A. Smith, Assistant Secretary
Mark E. Van Der Weide, General Counsel
Michael Held, Deputy General Counsel
Thomas Laubach, Economist
Stacey Tevlin, Economist
Beth Anne Wilson, Economist

Michael Dotsey, Marc Giannoni, Joseph W. Gruber, Beverly Hirtle, David E. Lebow, Trevor A. Reeve, Ellis Tallman, and Mark L.J. Wright, Associate Economists

Lorie K. Logan, Manager, System Open Market Account

Margie Shanks, Deputy Secretary, Office of the Secretary, Board of Governors

Michele Taylor Fennell, Assistant Secretary, Office of the Secretary, Board of Governors

Matthew J. Eichner, Director, Division of Reserve Bank Operations and Payment Systems, Board of Governors; Andreas Lehnert, Director, Division of Financial Stability, Board of Governors

Rochelle M. Edge, Deputy Director, Division of Monetary Affairs, Board of Governors

Jon Faust, Senior Special Adviser to the Chair, Office of Board Members, Board of Governors

Joshua Gallin, Special Adviser to the Chair, Office of Board Members, Board of Governors

Antulio N. Bomfim and Ellen E. Meade, Special Advisers to the Board, Office of Board Members, Board of Governors

Linda Robertson, Assistant to the Board, Office of Board Members, Board of Governors

Dana L. Burnett, Section Chief, Division of Monetary Affairs, Board of Governors; Jasper Hoek, Section Chief, Division of International Finance, Board of Governors

Achilles Sangster II, Information Manager, Division of Monetary Affairs, Board of Governors

David Altig, Kartik B. Athreya, Sylvain Leduc, Anna Paulson, Daleep Singh, and Christopher J. Waller, Executive Vice Presidents, Federal Reserve Banks of Atlanta, Richmond, Philadelphia, San Francisco, Chicago, New York, and St. Louis, respectively

George Kahn, Giovanni Olivei, and Patricia Zobel, Vice Presidents, Federal Reserve Banks of Kansas City, Boston, and New York, respectively

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CHAIR POWELL. Thanks, everybody, for making time to get here. This meeting, as usual, will be a joint meeting of the FOMC and the Board. I need a motion from a Board member to close the meeting.

MR. CLARIDA. So moved.

CHAIR POWELL. Without objection. Before we dive into our formal agenda, I want, again, to thank you. And we'll begin with staff briefings on financial markets and the domestic and global economic outlook from Lorie, Stacey, and Beth Anne. Lorie, would you like to start?

MS. LOGAN. Thank you, Mr. Chair. It's been an exceptionally volatile week in markets, as investors process news related to the spread and effect of the coronavirus and contemplate policy actions that might be taken to address it. In my remarks, I'll give an update on the pronounced moves in markets over the past week, discuss expectations regarding monetary policy here and abroad, and highlight a number of risks that we have been monitoring.

As you know, market participants' central focus since the January FOMC meeting has been on the coronavirus. Since the outbreak's international spread began to intensify around mid-February, markets have repriced dramatically as participants assess the potential economic and financial fallout. Global risk asset prices and sovereign yields have declined sharply, and market expectations of policy easings by the Fed and other major central banks have increased notably. To provide some context: U.S. Treasury yields have declined roughly 70 basis points, more than two-thirds of which occurred over the past three weeks. Core euro-area and Japanese yields, which were already near historically low levels, have also fallen notably. In addition to the declines in nominal U.S. Treasury yields, measures of inflation compensation have reached levels last seen in 2016.

I'll start with a little bit more of a detailed look at policy expectations both in the United States and abroad. The expected path of the policy rate implied by a straight read of futures contracts now indicates roughly 40 basis points of easing through the March FOMC meeting, 70 basis points of easing through the June meeting, and roughly 90 basis points of easing by year-end. Since last Friday, 18 of the 24 primary dealers have revised their modal assessments, pulling forward or introducing additional expected easing.

With respect to the easing implied through March, recent commentary has highlighted the Chair's statement on Friday as indicating that the FOMC is prepared to cut rates at the March meeting. Modal expectations appear split between a 25 basis point and 50 basis point cut at the March meeting, with some contacts citing previous communication by Committee members about the need to act aggressively when close to the effective lower bound. Of note, March federal funds futures contracts and very short-dated overnight index swaps suggest that investors attach a significant probability to an intermeeting cut in the target range—though most contacts have indicated they do not view this as the most likely outcome.

Expectations for global monetary and fiscal easing have also increased, with some contacts noting the possibility of a coordinated effort across central banks or fiscal authorities. Though room for ECB and BOJ policy rate cuts is viewed as limited, the ECB noted its readiness to take appropriate and targeted measures, and markets imply a 70 percent chance of a 10 basis point cut at its March 12 meeting. The BOJ announced that it is prepared to provide liquidity and ensure stability, and subsequently offered liquidity through repo and purchased a record high amount of equity exchange-traded funds (ETFs) overnight. Policy rate cuts are also priced for the March meetings of the Reserve Bank of Australia, the Bank of Canada, which meets this week, and the Bank of England and the Reserve Bank of New Zealand, which meet later in the month.

Let's turn to risk asset markets. U.S. and global risk assets partially retraced earlier price declines today, but U.S. and global equity prices remain roughly 8 percent and 11 percent lower, respectively, despite expected policy support by global, fiscal, and monetary authorities. The decline in the S&P 500 index has been most pronounced in exposed sectors, including energy, retail, technology, airline, and hospitality. Several dealers have downgraded their earnings growth forecasts for the S&P 500 this year from mid-single digits to flat growth, and attention remains on further guidance from companies, particularly those vulnerable to travel restrictions and supply chain disruptions.

Alongside the sharp equity price declines, implied equity market volatility, as measured by the Chicago Board Options Exchange's CBOE Volatility Index (VIX), rose to around 40 last week, just above its level on the day of the 2018 VIX spike and its highest closing level since 2015.

With the deterioration in risk sentiment, there has also been significant widening of spreads in U.S. and European corporate credit markets as well as in peripheral European spreads. The weakness has been broad based, but energy firms have underperformed amid sharp declines in crude oil prices. Investment-grade credit has been more resilient, and all-in yields remain below levels seen in late 2018. Contacts note that primary credit markets have seen issuance of investment-grade, high-yield, and leveraged loans generally dry up amid ongoing market volatility, though one small deal did price today. Expectations for upcoming issuance in the investment-grade market vary widely, highlighting the uncertainty.

Meanwhile, money markets have been resilient amid the broader financial market volatility. The effective federal funds rate has "printed" near the interest on excess reserves (IOER) rate, and the overnight money market rates have been subdued, suggesting the ample reserves regime has been effective at ensuring control of the short-term interest rates.

Pricing and trading conditions in offshore dollar markets have also been stable. FX swap basis spreads, which are a measure of the premium paid to obtain U.S. dollars via the foreign exchange market, have widened a bit in short data tenors. But levels are well within recent ranges and below the rate on the Federal Reserve's liquidity swap lines.

In terms of market functioning to date, liquidity conditions in the Treasury securities, equity, and credit markets have deteriorated, but markets have remained orderly. With the volatility spiking in the equity and Treasury securities markets, volumes have increased, while bid-ask spreads have widened and market depth has declined.

Overall, the situation remains highly fluid. A number of key risks are in focus, and I thought I'd close by noting a few of those risks that market participants have highlighted. Though far from exhaustive, they give a sense of the range of issues that we have been hearing. The first risk relates to funding risk faced by corporates. Amid the recent credit market volatility and uncertainty over how the virus will affect demand, new-issue activity in both loan and bond markets has ground to a virtual halt. Although most firms would be able to endure a temporary shock, in part because of prior refinancing activity, a prolonged seizing-up of primary markets would be of concern. A rough estimate is that as much as $500 billion, or roughly 20 percent, of debt issued by lower-rated issuers in cyclical or consumer-oriented sectors could experience heightened stress. We're carefully watching new-issue activity in bond loan and commercial paper markets, as well as pricing in the secondary markets.

The second risk relates to operational vulnerabilities posed by the activation of business continuity plans that remain untested on a large scale or over long horizons. Many U.S. financial institutions have activated crisis management or contingency frameworks to protect personnel and operations, including telework arrangements and travel restrictions. Some firms have reported concerns that if a sufficiently large number of employees are unable to come to the office, operationally-intensive back-office activities could become vulnerable to disruption. Though many firms have backup sites, a widespread disruption could affect those alternative locations as well.

The third risk that I'll mention is that market functioning could become impaired in one or more asset classes, leading to broader spillovers. Elevated trading volumes, poor liquidity, and dealer hedging flows could render markets more fragile and accident prone. And if the disruption is prolonged and severe, new liquidity risks could emerge.

The last risk that I'll note is that one or more large market participants could absorb significant losses with possible spillovers. For example, the long–short equity hedge fund sector, which is the largest leveraged equity strategy, has had increased long exposures in recent months. That said, our outreach to prime brokers hasn't uncovered any specific concerns to date. There have been no reports of margin calls going unmet other than the typical number related to incorrectly booked trades or disputed marks, nor have there been any reports of material changes in hedge fund positioning or leverage.

To sum up: The situation remains fluid, and markets remain especially focused on central bank communications. Indeed, the notable increases in global equity prices during today's trading session appear to be predicated in large part on expectations that central banks globally may soon take action. We'll continue to monitor the adoption of contingency staffing and operational preparedness with our counterparties and other central banks as well as any reports of disruptions to market functioning and liquidity.

Thank you, Mr. Chair. I'd be happy to take any questions.

CHAIR POWELL. Why don't we hold the questions to the end?

MS. LOGAN. Okay.

CHAIR POWELL. If that's okay.

MS. TEVLIN. Okay. I think Beth Anne was going to go next. Beth Anne, are you on the phone?

MS. WILSON. Hi. Can everyone hear me?

MULTIPLE PARTICIPANTS. Yes.

MS. WILSON. Great. We have made significant changes to our foreign outlook since the January FOMC meeting. First, the foreign economy entered 2020 with even less momentum in key economies than we had just five weeks ago. We were starting to see comforting signs of improvement in the Q4 data for emerging Asia, but data seriously disappointed in Japan and the euro area. And even absent the coronavirus, we would likely be marking down our forecast for early 2020.

And then, enter the coronavirus in mid-January. Soft indicators that we've been tracking, including shipping, carbon emissions, tourism, and travel flows, have pointed to a collapse of activity in China, with spillovers more broadly. Harder indicators and data are now just starting to trickle in for the coronavirus period—both the official and the Caixin measures of the Chinese Purchasing Managers' Indexes (PMIs) reached record lows in February. And exports to China from countries in the region have plunged. Data for the advanced economies have held up better, but most of those were for the period before the virus spread to Italy and more broadly.

At this point, we estimate that the effect of the coronavirus and the efforts to contain it will sink this quarter's global growth into negative territory, with Chinese growth now estimated to fall 8 percent, a 14 percentage point swing from what we had in January. We also expect the virus to hurt first-quarter growth outside of China, as disruptions in China spill over to the global economy through less external demand from China, including for tourism and commodities, and disruptions to supply chains. We also see outbreaks of the virus in other countries having negative effects on sentiment and consumption, and, indeed, we now have a notable recession penciled in for Italy this year.

With indications that, in China, the virus is becoming contained and factories are reopening a bit, we heroically assume that Chinese growth will pop up in Q2. As activity in China recovers, that improvement slowly ripples through the foreign economies, and as the virus is eventually contained elsewhere abroad, we expect some bounceback in the second half, although we have lowered our projection for the year by about ½ percentage point, to 1¾ percent.

It's quite possible, however, that the virus is more widespread, with broader containment measures put in place, supply chain disruptions more acute, and confidence and financial channels—those that Lorie just discussed—more severe. Stacey will now talk about the domestic forecast next and our coordinated approach that we're taking on the international and domestic sides of the Board to approach the risks that we see. Thanks.

MS. TEVLIN. Although domestically we are still at earlier stages than what Beth Anne just discussed, and we have not yet seen an imprint in our hard data, the monthly survey data, such as the Institute for Supply Management (ISM) and the Michigan Consumer Sentiment indexes, are still holding up, but those survey responses are now pretty dated, having basically wrapped up their survey the weekend before this last one.

In higher-frequency data, we're seeing some softening in daily sentiment indexes, but it's a little early to say. In daily credit card data, travel and lodging numbers for February were the lowest since the Great Recession. And, according to our credit card company contacts, they haven't yet seen a bounce in retail spending, as you might expect if people are stocking up and preparing. However, a large—very large—e-retailer said that sales were huge over the last week. They described them as completely anomalous, and that likely reflects both some hoarding and a switch to online shopping. Anecdotally, of course, people are talking about empty shelves. And in recent data, we have not yet seen shipping from China recover much from the January plunge, so it seems likely that supply chains are not getting refilled anytime soon.

Therefore, in the projection that we are currently calling baseline, we are assuming that there will be supply chain disruptions, weaker sentiment, higher uncertainty, as well as the drag already in train from weaker Q1 foreign growth and a decline in tourism and other exports. But this is a pretty mild scenario, because we assume that there are no additional outbreaks of the scale of Hubei, but just a number of more moderate flareups, including in the United States, continuing through the third quarter. And then this results in a *U*-shaped slowdown here in the United States, and we have marked down 2020 GDP growth about 0.3 percentage point. In this case, the unemployment rate stays at 3.6 percent for the rest of this year rather than falling further. And core inflation is expected to be at 1.8 percent, down just one-tenth, reflecting the rise in the dollar and the weaker commodity prices.

Now, of course, we've had to make a number of assumptions to arrive at this forecast, and it could be that the virus spreads much more widely than we are assuming, and that severe social distancing is required to contain it. In this case, we would expect to see additional factory shutdowns and supply chain disruptions, more negative sentiment, much more severe lockdowns—including the closing of public schools and a prohibition on large public gatherings—and the loss of workforce. Financial market conditions would, of course, worsen. In a scenario like this one, which we'll probably end up showing as an alternative simulation, we might expect global real GDP to fall to a level 1½ percent below baseline by the end of next year. U.S. real GDP growth would be 1 percentage point weaker than we are currently forecasting, and the unemployment rate could move up to 4.3 by the end of this year.

We can easily imagine a still weaker scenario in which the virus has mortality and morbidity rates on the high end of current estimates, and social distancing and the loss of workforce are more extreme. In this scenario, the level of global real GDP could fall nearly 4 percent below baseline, with a more moderate but still recessionary outcome in the United States. The unemployment rate might rise to nearly 6 percent by the end of this year in that scenario, with inflation dropping below 1.5 percent. And, at this point, all of these scenarios strike us as pretty plausible.

CHAIR POWELL. Thank you. Now there is an opportunity to ask questions of Lorie, Beth Anne, or Stacey. And indicate, please, your interest in asking such a question by holding up a piece of paper. We'll write down your name and make a list. Anybody on the phone have a question? [No response] Okay, thank you. Then hearing none, let's move on to discussion of policy for this meeting.

I've had a chance to speak to all FOMC participants today, and thank you, everyone, for making yourself available. I just want to start by taking a step back and note that it was only 10 days ago or so that we were in a world in which the rate of new infections in China, particularly outside Hubei Province, was declining, and the number of infections outside of China was quite small. And it seemed reasonable to maintain hope that the infection would be contained, and many forecasts from that time reflected only modest effects here in the United States. But our awareness of the situation began to change, much for the worse, about 10 days ago, with significant outbreaks in Korea, Italy, and Iran. And I picked up growing concern at the G-20 meeting in Riyadh that weekend that the coronavirus was likely to now spread widely around the world, and events since that time suggest that that is indeed the case.

I had hoped—and I'm sure we all had hoped—that the virus would be contained in China, for the most part. Short of that, we hoped to be able to wait until at least the April meeting before seriously considering a response to these developments. And, as we've discussed, that is no longer a reasonable expectation. The spread of the virus and the measures taken to protect people from it represent a material risk to the economic outlook—an outlook that was a strong one as recently as a month ago. Markets and the general public need a clear signal that the Federal Reserve and other policymakers around the world understand the significance of what's going on and will move decisively to counter a tightening of financial conditions and support the economy.

The statement we issued last Friday, with broad support on the Committee, and the Monday opening statements that Lorie mentioned by the Bank of Japan and the Bank of England have afforded at least a temporary improvement in markets, but the words in those statements will only be effective to the extent they are followed now by actions. I believe that this Committee should take such action today in a forceful manner. What I am proposing is a 50 basis point cut to be announced tomorrow morning. There will be a G-7 call, finance ministers and central bank governors, tomorrow morning at 7:00 a.m. After that call, there will be issued a strongly worded public statement of commitment to provide policy support for the economy during this challenging time.

After that—and I think it's still not nailed down exactly when that will be, I take it—we will announce our rate cut, assuming it's approved. We think that, again, as Lorie mentioned, Australia may announce a policy rate cut tonight, and that Canada may announce a cut on Wednesday. The ECB issued a statement earlier today. These actions, after putting them all together, including the G-7 statement, amount to a solid showing of coordinated force.

I think we all understand that a rate cut will not reduce the spread of infection or fix broken supply chains. It will not stop people from canceling travel plans. But it can provide a boost of confidence to markets and to households and businesses. And with the economy facing, in addition to a supply shock, the possibility of a large demand shock, our tools will provide meaningful support to the economy at a key time.

There's a good chance that this expansion, in my view, can continue and not end as a result of the virus. And I think our obligation is to do what we can to increase the chances of that. So I'm pleased to say that this proposal seems to have broad support, and I'd be glad to hear any comments that people would like to offer. If you'd like to comment, again, please hold up a piece of paper. [No response] Anybody on the line? President Bullard.

MR. BULLARD. Thank you, Mr. Chair, and thanks for your comments. I am generally supportive of moving at this time by 50 basis points. I see the Committee as likely to make this move at the March meeting anyway, and so I think we'll do better by going ahead and moving at this meeting. There is some risk of feeding into the panic and making the situation worse, but I see that risk as relatively low at this juncture, understanding that the situation remains quite fluid.

My baseline case, as of tonight's meeting, is that U.S. real GDP growth in the first half of 2020 is likely to be only modestly affected by the direct effects of the coronavirus. But I think there is meaningful downside risk relative to that baseline. Accordingly, I see the 50 basis point reduction in the policy rate as a form of insurance against this downside risk. I would note on the forecast that IHS Markit has Q1 U.S. GDP growth still at 2.1 percent, and they are judgmentally adjusting. The Organisation for Economic Cooperation and Development (OECD) has 2020 U.S. real GDP growth at 1.9 percent versus 2.0 percent, and they are judgmentally adjusting as well. So it's not at all clear, right at this juncture, that we're going to get a meaningful slowdown, but I do think there is this downside risk.

Despite my support for this action, I am concerned that this policy move will be perceived and understood as a reaction to last week's selloff in U.S. and global equity markets. I think this is a significant risk for this Committee, as it will set up expectations that any 10 percent selloff in equity valuations is likely to be met with major policy action. I don't think that that is a pledge we want to make, because equity pricing is notoriously volatile, and some corrections are warranted, as pricing sometimes moves well away from what seems to be consistent with market fundamentals. Many will, no doubt, argue that the current selloff is consistent with a move toward more rational pricing of the value of the U.S. corporate sector.

Because of this danger for the Committee, I think we need to make the case as strongly as we can in the days ahead that this move is about the risks to the economy and not about equity prices. This Committee and equity market participants both look forward, and what is on the horizon is increased recession risk emanating from the repercussions of the coronavirus. The inverted yield curve is also suggesting increased recession risk. In addition, the Committee has missed its stated inflation target to the low side based on a preferred measure for many years, and this shock is likely to push inflation still lower if we do not act appropriately.

I am also moderately concerned about how the Committee intends to play this sequence as we go forward. My experience on this Committee is that moving forward without a plan can backfire, as it can leave the Committee out of position in the near future. My sense is that, by moving today, we will eliminate any need to move at the March meeting. We will have very little additional information at that point. If we wanted to move more, why aren't we doing it at this meeting?

So if we don't move at the March meeting, that would set us up to monitor incoming data and to allow the implications of the virus to come into sharper focus. My baseline is that the near-term news that is days ahead on the virus will be negative, in the sense that we will see many more cases, I think, in the United States and probably around the world, but as the weeks go on, that will turn neutral to positive, as the number of new cases begins to decline and the virus comes under control. So we need to maintain enough policy space and timing to be able to play that appropriately and give the appropriate reaction in order to handle this risk in the right way. Thank you, Mr. Chair.

CHAIR POWELL. Thank you. Other comments? President Kashkari.

MR. KASHKARI. Thank you, Mr. Chair. I support this action today. I view this as taking out insurance, given how much uncertainty there is about what's going to happen with the coronavirus—is it going to be much worse than we expect or not. I think the risk of being too aggressive right now is much smaller than the risk of not being aggressive enough if it turns out that this is a true pandemic in which the worst-case scenarios that Stacey talked about materialize.

I think the biggest concern that I have is if what materializes is one of the really bad scenarios and this is a true pandemic, we could, and I think we will, get back to the lower bound of the federal funds rate, probably pretty quickly. And then what? You know, what are our policy responses going to be if we end up getting back to the lower bound?

I can imagine a scenario in which the Treasury yield curve is basically at zero, and the federal funds rate is basically at zero, and credit spreads are wide. What do we do in that type of situation? So I would just encourage us going forward—I'd like to see us start doing work on that, on what the tools are that we might use to try to respond to that downside scenario. Thank you, Mr. Chair.

CHAIR POWELL. Thank you. Any further comments? Folks on the phone?

MS. MESTER. Mr. Chair, this is Loretta.

CHAIR POWELL. Please go ahead, Loretta.

MS. MESTER. I support the move somewhat reluctantly, because I was hoping that we could wait until we saw whether this was actually going to turn from a supply shock into a broader demand shock. The way you framed it, I agree with—I don't think lowering interest rates is going to get people to go back and mingle and start traveling again. But in the context of a global lack of confidence, I think acting with our other central bankers, in terms of trying to show that we're there and that we're taking this move because of what could be a demand shock later on and a pullback in growth, has the potential of adding confidence.

I do think that there are other actions that other authorities, like public health authorities and fiscal authorities, could take that would be more powerful in terms of boosting confidence than our taking action as central bankers. But I am supportive of the move, and I understand why you are suggesting we do it.

I do agree that we should be playing out these scenarios to see what our path will be, because if things do deteriorate significantly, I would feel more comfortable if we at least had thought through what our next steps will be and how we will be reacting to them or preempting them.

So, again, I'm supporting the move now somewhat reluctantly just because of the situation, but I understand totally why it makes sense to do this with our other central banks. Thank you.

CHAIR POWELL. Thanks very much. So, any other comments, either on the phone or—President Daly.

MS. DALY. I realized you couldn't see me—I was holding the paper in front of myself. But thank you. So I just wanted to follow up on what Loretta and Neel said, is that, you know, I see this as very appropriate. I would have been more reluctant about it last week before the news came out and before I started meeting with my counsels and CEOs who are saying that the uncertainty that's weighing down on their demand is already present. Even though we don't see it yet in the hard data, they are seeing early signs of it, and I think this is an insurance against that spreading further. We can always reverse if things don't turn out as well as—or as poorly as—we think they might, but it's harder to get ahead of things once they've already deteriorated. So I am supportive of this move now, completely for the reasons that others have given.

And I thought that the briefing that Stacey and Beth Anne both gave us really characterized well what we're up against right now and what the scenarios could be. So I am also supportive of thinking about those and, if you will, "war-gaming up" what our options would be if that occurs. So thank you.

CHAIR POWELL. Thank you. Other questions or comments? President Evans.

MR. EVANS. Thank you, Mr. Chair. I do support this move. I think it's a good move for risk-management reasons. I actually have a question. You know, this isn't a normal period when we would have a blackout for the next couple of days, and you would have a press conference. Many of us are going to go out and speak. I'm speaking tomorrow a couple of times. And I just wonder about messaging and how we might want to think about presumably not conveying that there is an obvious next cut coming at the next meeting or, you know, any type of signaling there. Any thoughts about messaging that might step on what we intend to accomplish with this 50 basis point cut or something that would further enhance it would be extremely welcome. Thank you.

CHAIR POWELL. Yes. So I'll just address that now. I do think that the right thing to say about the March meeting is that that's not a decision we've made, and, really, not something to discuss right now. Don't say, "we're not going to do it." Don't say, "we're going to do it." Don't say you "lean into it," or anything like that. Just say, "That's something that's not before us today, so I won't have any comment on that for you." That's what I'm going to say tomorrow. I am going to have a little small press conference with a few questions, and I'll say, "Look, I'm here to talk today about this action, and I really have nothing to say about the meeting in two weeks."

Other than that, I just think, you know, I've talked to each of you, we've talked about it, I think you understand and are supporting the rationale of it. I think we want to maintain as much policy flexibility going forward as we possibly can, and I think we may have some. We'll see. We'll see. President Bullard.

MR. BULLARD. Yes. Mr. Chair, are we promoting this as an international coordination, or are we not? I noticed some of the other central banks have already made announcements. Some seem to be leaning against, so—

CHAIR POWELL. So I wouldn't oversell that, but I think it's fair to say that we've had much conversation among each other, that we see the same concerns, and that we're acting in the same direction. The G-7 statement is, in fact, a statement of the G-7 finance ministers and central bank governors who see these very issues and come down forthrightly for using our tools to support the economy. So there's a commonality of understanding, a commonality of commitment to using our tools. But, you know, we're not issuing an identical press release or something like that, just because that's the way it's happening. I mean, a lot of things are happening, so it looks loosely coordinated, and we're all talking behind the scenes. So that's the picture.

Any other questions or comments, on the phone or visible? [No response] Okay. Oh, sorry. Governor Brainard.

MS. BRAINARD. Thanks. The spread of the coronavirus around the globe, sadly, now appears inevitable, and the human toll is likely to be great. The data out of China today, I think, provide some sense of the potential harm to supply chains, to business activity, and to consumer-facing sectors that we could face here from the spread of the virus. The sharp declines in asset valuations and long-term yields reflect a notable increase in tail risk, and the virus in particular could pose important risks to consumer confidence and activity, which have been the key to our resilience over the past year.

While I don't see monetary policy as sufficient on its own, it can make—and should make—a vital contribution by helping to restore confidence and helping to ease financial stress among indebted businesses and cash flow constrained households that are especially vulnerable to temporary reductions in earnings.

For all those reasons, I do support taking the decisive action today. And I am hopeful that the combination of this action with the strong G-7 statement and complementary actions on the part of our peers should provide the best prospect of ensuring the combined effect on global sentiment will be greater than the sum of its parts. Thank you.

CHAIR POWELL. Thank you. Okay. Hearing no more and seeing no more, going once? [No response] All right. So thank you very much for your comments. Those are very thoughtful questions being raised, and, you know, I think we have great answers. I think you're seeing central banks moving all over the world, and we just happen to have more policy space than the others. But, essentially, all the major central banks who have policy space will be moving within a very short period of time or within a couple of weeks, which isn't very many, but—okay.

So I'm going to go ahead and move to the vote. For the policy action at this meeting, we'll be conducting a vote that will be finalized tomorrow to correspond with the release date for the statement. The vote will encompass the policy statement and directive to the Desk as they appear in the materials distributed earlier today. I will be voting tomorrow. Jim, can you please call the roll?

Vice Chair Williams	Yes
Governor Bowman	Yes
Governor Brainard	Yes
Governor Clarida	Yes
President Harker	Yes
President Kaplan	Yes
President Kashkari	Yes
President Mester	Yes
Governor Quarles	Yes

CHAIR POWELL. Next up, we need to approve the corresponding changes in the interest rates on reserves. I will not vote until tomorrow, but I would like to collect the votes of the other Board members now. May I have a motion from a Board member to set the interest rates on required and excess reserve balances at 1.10 percent effective March 4?

MR. CLARIDA. So moved.

CHAIR POWELL. May I have a second?

MS. BRAINARD. Second.

CHAIR POWELL. Any objections? [No response] Thank you. Finally, we need to approve the corresponding changes in the rates on primary credit, secondary credit, and seasonal credit. Again, I won't vote until tomorrow but will collect the votes of other Board members now. May I have a motion from a Board member to approve the Reserve Bank requests to decrease the primary credit or discount rate by 50 basis points, to 1.75 percent, effective March 4 and to renew the existing formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs as specified in the staff's February 28, 2020, memo to the Board?

MR. CLARIDA. So moved.

CHAIR POWELL. Second?

MS. BRAINARD. Second.

CHAIR POWELL. Objections? [No response] Thank you. Our final agenda item is to confirm that our next meeting will be Tuesday and Wednesday, March 17 and 18, 2020. That concludes this meeting. Thank you very much for your participation, and I'll see you soon.

END OF MEETING