

As a result, most focus on 16 December beyond the hike decision will be on clues for what to expect next from the Fed



How to read the Fed FOMC meeting on 16 December

1 The statement



- * Assessment of US economy
- * Guidance on future policy
 - Pace of hikes
 - Reinvestment policy*
- * Discussion of risks, e.g., global growth, oil prices, dollar
- * Last sentence of statement, i.e., signal that policy will remain accommodative
- * Any dissents to statement

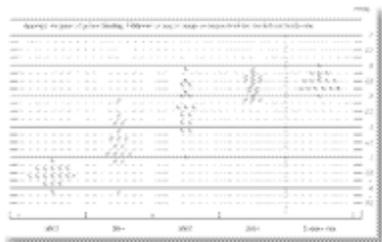
2 Economic projections

Summary projections of Federal Reserve Board members and individual members' assessments of personal projections, percent (Annualized rate of change in the level of the variable unless noted)

Variable	Median				Outliers (down)			
	2015	2016	2017	2018	2015	2016	2017	2018
GDP growth (GDP)	3.9	4.1	4.2	4.3	2.7	2.2	2.0	1.9
Non-farm payrolls	1.9	2.0	2.1	2.2	1.5	1.4	1.3	1.2
Unemployment rate	5.5	5.4	5.3	5.2	5.9	5.8	5.7	5.6
Personal consumption	3.1	3.2	3.3	3.4	2.8	2.7	2.6	2.5
Core PCE inflation*	1.5	1.6	1.7	1.8	1.4	1.3	1.2	1.1
Real GDP growth	2.5	2.6	2.7	2.8	2.1	2.0	1.9	1.8
Real household consumption	2.5	2.6	2.7	2.8	2.1	2.0	1.9	1.8
Real non-durable consumption	2.5	2.6	2.7	2.8	2.1	2.0	1.9	1.8
Real durable consumption	2.5	2.6	2.7	2.8	2.1	2.0	1.9	1.8
Real services consumption	2.5	2.6	2.7	2.8	2.1	2.0	1.9	1.8
Real government consumption	2.5	2.6	2.7	2.8	2.1	2.0	1.9	1.8
Real investment	2.5	2.6	2.7	2.8	2.1	2.0	1.9	1.8
Real fixed investment	2.5	2.6	2.7	2.8	2.1	2.0	1.9	1.8
Real non-residential investment	2.5	2.6	2.7	2.8	2.1	2.0	1.9	1.8
Real residential investment	2.5	2.6	2.7	2.8	2.1	2.0	1.9	1.8

- * Little change expected
- * Some scope for lowering:
 - Inflation forecast: dovish, signals gradual pace
 - Unemployment forecast: hawkish

3 Dots plot (individual members' projections of Fed funds rate)



- * Only marginal downward revisions expected
- * Long-run median may come down – leading to lower dots trajectory

4 Chair Yellen press conference



- * Overall tone
- * Conditions that Fed needs to see to continue hiking
- * What would lead the Fed to pause or stop hiking
- * Guidance on reinvestment policy* and interplay between rates and reinvestments

Note: (*) Currently, the Fed reinvests its maturing holdings of MBS and Treasuries purchased during QE.