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Fed's Mester Says U.S. Economy Clearly Needs More Fiscal Support.

Cleveland Fed President Loretta Mester says it's "clear that more fiscal support is needed to provide a bridge for households, small businesses, and state and local municipalities that have borne the brunt of the economic shutdown until the recovery is sustainably in place"

- "As the economy emerges from the reopening phase and moves into the recovery phase, the focus of Fed policy will expand from supporting market functioning and the flow of credit to ensuring that appropriate monetary policy accommodation remains in place to support the economy's return to more normal levels of economic activity and employment and inflation's moving back up," Mester says Wednesday in remarks prepared for a virtual event
- "Although our policy rate is already at its effective lower bound, the tools that we used to support the recovery from the Great Recession, including forward guidance about the future path of policy and purchases of longer-term Treasuries and agency mortgage-backed securities, can be used to provide additional accommodation": Mester
- "Clear communications about our policy strategy, which is part of our current review of our monetary policy framework, can also make the monetary policy actions we take more effective"
- "The increase in virus cases that we've seen in recent weeks has raised the downside risks to the outlook and is a stark reminder that there are several different scenarios that could play out"
- "Higher-frequency data and discussions with regional contacts do indicate that economic activity has slowed in recent weeks. Thus, the reopening phase may be more protracted than many had anticipated when it started"
- NOTE: Mester is a voter this year on the rate-setting FOMC

Bloomberg Economics

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