

FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

Minutes of the Investor Advisory Committee on Financial Markets

July 17, 2019

Federal Reserve Bank of New York

Committee Attendees:

William A. Ackman, Pershing Square Capital Management, L.P.

James Chanos, Kynikos Associates

Ray Dalio, Bridgewater Associates, L.P.

Mary Callahan Erdoes, J.P. Morgan Asset Management

Dawn Fitzpatrick, Soros Fund Management

Britt Harris, The University of Texas/Texas

A&M Investment Management Company

Bob Jain, Millennium Management

Scott Miner, Guggenheim Partners

Rebecca Patterson, Bessemer Trust

Rick Rieder, BlackRock, Inc.

John W. Rogers, Jr., Ariel Investments

David M. Rubenstein, The Carlyle Group

Federal Reserve Attendees:

John C. Williams, Chair

Ryan Bush

Samuel Earl

Beverly Hirtle

Sandra Lee

Matthew Lieber

Lorie Logan

Rebecca McCaughrin

Meg McConnell

Michael Nelson

Julie Remache

Ashley Rhodes

Michael Schetzel

Seth Searls

Kevin Stiroh

Michael Strine

Benedict Wensley

Monetary Policy Outlook

Committee attendees discussed their expectations for near-term monetary policy. Most Committee attendees indicated that they expect the FOMC to cut interest rates more than once before the end of the year. Some noted that an abatement of risks, and in particular a resolution of the trade dispute between the U.S. and China, might reduce the need for easing in the near term; however, some also noted that business investment already had been negatively impacted. Several also indicated that if the FOMC did not lower interest rates to the same extent as is currently priced into markets, it could cause some financial market volatility.

Several Committee attendees also discussed monetary policy overseas, highlighting in particular the nomination of a new president of the ECB. Several Committee attendees noted that the ECB is likely to continue monetary policy accommodation as under its departing leadership, though some Committee attendees noted concern over perceived limitations of the effectiveness of the ECB's policy tools.

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Inflation Expectations

Committee attendees discussed the drivers of declines in market-based measures of inflation expectations across a number of advanced economies, which was thought in part to have been reflected in a shift toward monetary policy easing by many central banks. Committee attendees highlighted a number of proximate factors contributing to these declines in these market measures, including lower realized inflation readings, falling oil prices, and increased downside risks to growth. Committee attendees also highlighted a number of longer-running structural factors keeping inflation expectations low, such as globalization, technological developments, and aging populations. Committee attendees thought these lower implied inflation rates were a signal of lower inflation expectations, with lower risk premia not emphasized as a factor.

Economic Outlook for China

Committee attendees also discussed the economic outlook for China. Committee attendees noted the changing structure of China's economy, and in particular rising technology investment, decline in non-bank lending, and development of domestic capital markets.

Committee attendees also discussed U.S.-China tensions and any impacts on the outlook for the real economy. Some of these attendees viewed the trade conflict as having a larger impact on China than on the U.S., while others viewed the trade aspect as less impactful given a decline in China's trade surplus. Some Committee attendees viewed tensions in the area of technology, such as U.S. export restrictions, as likely having a greater potential for economic disruption.