

Insights of a Fundamental Analyst

Bernanke...Can you Spare me a Minute?



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by [Bill Hubbard](#) - [Markets.com](#) | [View company's profile](#)

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The Fed will release the minutes of the FOMC meeting of April 26-27th at 2000CET on Wednesday, May 18th. However, the publication is less anticipated by markets than it might normally be. This time around the unknowns are fewer. Chairman Bernanke held a press briefing at the conclusion of the 2-day FOMC meeting of April 26-27th. Additionally, the Fed made available the updated economic forecast in conjunction with the start of Bernanke's remarks to the press. The next set of meeting minutes may provide a little more detail on the deliberations, but it probably will not have much that is substantive.

In any case, the innovation of the press briefing and release of the updated forecast numbers are of a piece with other steps the Fed has taken over the year towards greater transparency. I have outlined below the major ones in regard to changes in procedure to promote better understanding of monetary policy and monetary policy objectives:

March 24, 2011 - Announcement that the Chairman would hold a press briefing after the end of the 2-day FOMC meetings (4 times a year). Specifically these are the meetings at which the Fed policymakers update their respective forecasts. At the start time of the briefing, the Fed made available to the press the changes in the forecasts, although no commentary was provided. During the first briefing, Bernanke noted that the purpose of the briefing was to provide "colour and context" for the FOMC statement.

November 14, 2007 - Chairman Bernanke used the platform of a speech at the Cato Institute to announce that the Fed would release updates to the FOMC economic forecasts 4 times a year instead of twice. The timing would be the meetings at the start of the second and fourth quarters, and the two in preparation for the Chairman's semi-annual monetary policy testimony.

July 20, 2006- The Fed announced with its 'tentative' meeting calendar for 2007, that the number of 2-day FOMC meetings would be increased to 4 per year "to allow more opportunity for in-depth discussion of economic issues."

December 14, 2004 - The Fed announced the expedited release of the meeting minutes, to be released 3 weeks after the date of the FOMC meeting.

May 6, 2003 - The FOMC moved away from the "balance of risk" formula adopted in January 2000, taking a split approach to the outlooks for the economy and for price stability.

March 19, 2002 - The FOMC instituted a new policy of announcing the vote on any rate action and/or change in directive as part of the normal release of information following the FOMC regular meeting.

January 19, 2000- The Fed announced it would start to release a policy statement at the conclusion of every FOMC meeting, not just those at which a policy action was taken.

July 6, 1995 - The FOMC made official the change in procedures for disclosing policy decisions that it had been using informally for 6 months. Also, the Fed began to use language that to explicitly discussed the change in the fed funds target rate, i.e. talked about the change in basis points and the actual rate. Previously, the FOMC would discuss increasing or decreasing pressure on reserves, but not cite the rate.

February 2, 1995 - The Fed adopted formal procedures for disclosing FOMC policy decisions including the stance of monetary policy and the release of transcripts of FOMC meetings with a 5-year lag.

February 4, 1994 - The Fed explicitly announced a change in the fed funds rate target as a result of the FOMC meeting, and instituted a policy of making the rate change at regularly scheduled meetings and immediately announcing the decisions. After this time an intermeeting rate action became rare.