Good Evening,

Today, the Federal Reserve Bank's Open Market Committee (FOMC) concluded its most recent (2-day) monetary policy meeting. They decided to maintain the current level of the Fed Funds Rate, which is actually stated as a range of between 0% and 0.25%.

This decision was consistent with the expectations embedded in the market & the chart that we included in Tuesday night's Market Update. (See below)[1].

United States | Instrument: Futures: Fed Funds

1) Overview | 2) Future Implied Probability

Current Implied Probabilities | 3) Add/Remove Rates

Dates: Meeting | Calculation | Calculated 09/15/2015

Meeting	Prob Of Move	0-0.25	0.25-0.5	0.5-0.75	0.75-1
09/17/2015	28.0%	72.0%	28.0%	--	--
10/28/2015	41.0%	59.0%	35.9%	5.0%	--
12/16/2015	63.4%	36.6%	44.7%	16.8%	1.9%
01/27/2016	70.0%	30.0%	43.2%	21.8%	4.6%
03/16/2016	80.2%	19.8%	38.7%	29.1%	10.4%
04/27/2016	83.4%	16.6%	35.7%	30.6%	13.4%
06/15/2016	89.7%	10.3%	28.5%	32.6%	20.0%
07/27/2016	92.0%	8.0%	24.5%	31.7%	22.7%
09/21/2016	94.8%	5.2%	18.6%	29.1%	26.0%
11/02/2016	96.2%	3.8%	15.0%	26.2%	26.8%

The Fed released a statement (see attached) as they do at the conclusion of each of their 8 meetings throughout the year.

Fed Chair, Janet Yellen, was wary of altering the level of available liquidity due to: the current elevation of financial market volatility, ambiguity as to the broad impact of international discontentedness (in countries like China and other emerging markets) and the absence of prevalent inflationary conditions in the US.

30 minutes after the statement was released, Janet Yellen held a press conference, fielding questions from reporters and economists. While largely staying on message from her statement, she did expound somewhat incongruously on 2 important components of our domestic economy.

As reported by Bloomberg BusinessWeek[2]:

> *Federal Reserve Chair Janet Yellen heaped praise on the U.S. labor market in her press conference on Thursday, the housing market got little love.*

> *Residential real estate "remains very depressed," she told reporters after announcing at the end of a two-day meeting that policy makers had decided against raising the benchmark interest rate. "Demand for housing should be there and should materialize as the job market improves and income growth improves."*
>
> *So what counts as a "very depressed" level of housing? Yellen cited housing starts that are "below levels that seem consistent with underlying demographics, especially in an economy that's creating jobs."*

I believe the Fed yearns for corroborating data threads capable of weaving a strong underlying economic fabric before reversing course. And based upon the above, they do not feel that it is there, yet.

So, given that the outcome of the meeting largely aligned with expectations, one would think that mild mannered markets would wind down the trading day, right? Wrong.

While the stock market's move was the most muted, (the Dow Jones Industrial Average closed with a small loss of 62 points, or 0.39%, despite going up 200 points and down 100 points in the final 90 minutes), bond markets rallied (interest rates went down and prices up), the US dollar declined and precious metals (gold as a proxy) jumped.

We "tweeted" out this link and it is available on our website as well (kavarcapital.com) to graphically depict the moves in these markets: http://blogs.wsj.com/moneybeat/2015/09/17/see-markets-react-to-the-fed-in-5-charts/?mod=e2tw

Essentially the status quo of monetary policy is intact, with the Fed Funds rate pinned to its level of the last 7 years. The areas of opportunity appear to remain in the sectors of the market designed to benefit from this status quo and also those that align well with its progressive removal.

We think it is incumbent upon a well-balanced portfolio to combine short-sight with foresight as we search for seams in the cross-winds where smooth air resides.

We'll keep in touch as we adjust our altimeter and thank you for your loyalty and confidence in Kavar Capital to assist in this navigation.

Have a great night, dc

[1]Source: Bloomberg Market Data, 9/15/2015

[2]http://www.bloomberg.com/news/articles/2015-09-17/janet-yellen-sees-a-very-depressed-housing-market

Press Release

Release Date: ~~July 29~~September 17, 2015

For immediate release

Information received since the Federal Open Market Committee met in ~~June indicates~~July suggests that economic activity ~~has been~~is expanding ~~moderately in recent months. Growth in household~~at a moderate pace. Household spending ~~has been moderate~~ and business fixed investment have been increasing moderately, and the housing sector has ~~shown additional improvement~~improved further; however, ~~business fixed investment and~~ net exports ~~stayed~~have been soft. The labor market continued to improve, with solid job gains and declining unemployment. On balance, ~~a range of~~ labor market indicators ~~suggests~~show that underutilization of labor resources has diminished since early this year. Inflation has continued to run below the Committee's longer-run objective, partly reflecting ~~earlier~~ declines in energy prices and ~~decreasing~~in prices of non-energy imports. Market-based measures of inflation compensation ~~remain low~~moved lower; survey~~-~~-based measures of longer-term inflation expectations have remained stable.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. ~~The~~Recent global economic and financial developments may restrain economic activity somewhat and are likely to put further downward pressure on inflation in the near term. Nonetheless, the Committee expects that, with appropriate policy accommodation, economic activity will expand at a moderate pace, with labor market indicators continuing to move toward levels the Committee judges consistent with its dual mandate. The Committee continues to see the risks to the outlook for economic activity and the labor market as nearly balanced~~.~~ but is monitoring developments abroad. Inflation is anticipated to remain near its recent low level in the near term~~,~~ but the Committee expects inflation to rise gradually toward 2 percent over the medium term as the labor market improves further and the transitory effects of ~~earlier~~ declines in energy and import prices dissipate. The Committee continues to monitor inflation developments closely.

To support continued progress toward maximum employment and price stability, the Committee today reaffirmed its view that the current 0 to 1/4 percent target range for the federal funds rate remains appropriate. In determining how long to maintain this target range, the Committee will assess progress--both realized and expected--toward its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments. The Committee anticipates that it will be appropriate to raise the target range for the federal funds rate when it has seen some further improvement in the labor market and is reasonably confident that inflation will move back to its 2 percent objective over the medium term.

The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. This policy, by keeping the Committee's holdings of longer-term securities at sizable levels, should help maintain accommodative financial conditions.

When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent. The Committee currently anticipates that, even after employment and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keeping the target federal funds rate below levels the Committee views as normal in the longer run.

Voting for the FOMC monetary policy action were: Janet L. Yellen, Chair; William C. Dudley, Vice Chairman; Lael Brainard; Charles L. Evans; Stanley Fischer; ~~Jeffrey M. Lacker;~~ Dennis P. Lockhart; Jerome H. Powell; Daniel K. Tarullo; and John C. Williams. Voting against the action was Jeffrey M. Lacker, who preferred to raise the target range for the federal funds rate by 25 basis points at this meeting.