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FOMC: As expected, largely unchanged.

As expected, the FOMC statement outlines no new policy steps. Richmond Fed President Lacker dissents for the same reason as in March-he believes tightening will be necessary before late 2014.

Updates on current-condition assessments vary in tone, reflecting the expected mix of a nod to better housing data, but less strong improvement in the labor market. However, the view on the outlook is slightly more optimistic with "growth to remain moderate over the coming quarters and then pick up gradually," instead of for "moderate growth over the coming quarters."

The assessment of the labor market is somewhat softer, the statement noting that the unemployment rate has "declined" rather than the previous view of declining "notably." Conditions also described as having "improved in recent months" versus the March judgment of conditions having "improved further." Again, the FOMC recognizes that the unemployment rate remains "elevated" but should "decline gradually" to levels consistent with the dual mandate.

The more moderated tone on the labor market may very well reflect the view held by some dovish members'-including Bermanke-that the pace of improvement in the labor market seen in early 2012 is unsustainable without stronger growth.

Inflation is described as having "picked up somewhat," mainly on rising gasoline and oil prices, but that "longer-term inflation expectations have remained stable." Nearly identical to March, the FOMC believes that the spike in oil prices will "affect inflation only temporarily" and that "subsequently inflation will run at or below the rate" consistent with the dual mandate.

The assessment of housing is more upbeat, citing "some signs of improvement." However, the overall opinion is again that "the housing sector remains depressed." The outlook on global financial markets is somewhat more cautious: while the March statement indicated that tensions were easing abroad, the April statement cites only that global financial markets "continue to pose significant downside risks."

If the effect of gas prices on inflation is indeed short-lived and if future employment reports show a labor market which has stagnated, expect doves to campaign hard for additional easing.

If the housing market and global financial situation continue to improve-serving as less of a headwind to growth-hawks will again advocate for tightening before late 2014.

Markets will be watching the distribution of members interest rate forecasts, due momentarily, with a slight hawkish shift in the cards, given the more optimistic forecast tilt.

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