

The Federal Reserve left its target range for the fed funds rate unchanged, citing concerns about global uncertainty and disinflationary pressures from outside the U.S. In the Fed's opinion, growth concerns across China and other emerging markets and related volatility have tightened financial conditions. The near-term outlook for U.S. economic growth firmed and, in part, reflects reported revisions to GDP in the first half of 2015. However, the Fed lowered its outlook for growth in 2016 and beyond into a range of 2% to 2.5%. The Committee continued to expect that influences from lower energy and commodity prices on reported inflation will be transitory. Expectations for both headline and core inflation declined modestly and it will likely take longer for the Fed to have confidence that inflation is moving toward its 2% target.

As the table below illustrates, Fed expectations for the timing of lift-off from emergency levels, as well as the pacing of further increases, has slowed over the course of 2015:

Median Projection per "Dot Plots"	Market Based*	December 2015	December 2016	December 2017	Longer Run
March 2015	0.5%	0.6%	1.9%	3.1%	3.8%
June 2015	0.4%	0.6%	1.6%	2.9%	3.8%
September 2015	0.3%	0.4%	1.4%	2.6%	3.5%

*December 2015 fed funds contract at closing, the day before the Fed meeting
Source: Bloomberg, Federal Reserve

In late August, we increased the target duration profile of Intermediate and Core Strategies to 90% of the relevant benchmark by neutralizing positions in longer-dated securities (10 years and beyond). In addition to the global growth concerns cited by the Fed, we believe these yields will be influenced by their relative attractiveness to higher-quality sovereign bonds across Europe and Asia. We believe the continued improvement in the domestic economy and labor market supports a defensive position in the short end of the yield curve (maturities of 5 years and lower) and that a more accommodative Fed will likely support risk assets in the near term. We maintain an overweight to corporate securities based on our fundamental outlook for economic growth.

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