

Page 1 – Speeches & Reports

- Williams, Looking Ahead.
- Supply Chain disruptions likely to persist.
- The use of stimulus checks varied each round.

Page 2 – Economic Indicators & Rate Trends

Williams – Looking Ahead (GDP, Employment, Inflation)

- **GDP** – “Looking ahead, I expect the current Omicron wave to slow growth in the next few months as people once again pull back from contact-intensive activities. I also expect that the Omicron wave will temporarily prolong and intensify labor supply challenges and supply-chain bottlenecks that we have been experiencing. Current staffing challenges for essential service workers in the healthcare, transportation, and education sectors will likely have a ripple effect too. But, once the Omicron wave subsides, the economy should return to a solid growth trajectory and these supply constraints on the economy should ebb over time. Considering the effects of Omicron on the economy in the first part of the year, I expect real GDP to increase around 3.5% this year.”
- **Employment** – “Now I’ll turn to the employment side of our mandate, where the picture improved dramatically over the past year. About 6-1/2 million jobs were added last year, and the unemployment rate plummeted by 2.8 percentage points. In fact, with the unemployment rate now at 3.9%, we have retraced 9% of the COVID recession rise in less than two years. This is lightyears faster than the more than seven years it took for unemployment to retrace to the same degree after the global financial crisis. With the economy registering solid growth, I expect the unemployment rate will continue to come down further to 3.5% this year.”
- **Inflation** – “There are two main contributors to the current high inflation: very strong demand, especially for goods, and supply bottlenecks. Both have been prevalent throughout the pandemic. The shutdown of factories—particularly those in Asia—and widespread lockdowns led to disruptions to logistics networks, elevated shipping costs, and prolonged delivery times. Just as the pandemic has followed its own script, I anticipate that the dynamics of inflation will also be different than previous cycles. With growth slowing and supply constraints gradually being resolved, I expect inflation to drop to around 2.5% this year, much closer to the FOMC’s 2% longer-run goal. And looking further ahead, I expect inflation to get close to 2% in 2023.”

- **Qualifier** – “Of course, experience has taught us not to be overly confident in predictions about COVID and its effects on the economy, and uncertainty around the economic outlook remains high.”
NY Fed, Williams speech, Reading the Recovery, 1/14/22

Supply Chain – Disruptions are Likely to Persist

- Supply chain disruptions and elevated shipping costs continue to be prominent challenges for businesses across the United States. These disruptions have led to higher consumer prices as well as changes to some businesses’ inventory management strategies and capital investment plans. The balance of those consequences is likely to vary from region to region. Regardless, most business contacts report that the effects of these disruptions are likely to be persistent, as freight rates remain high and delays remain long.
KC Fed, Global Supply Chain Disruptions Can Be Seen Anywhere, but Their Costs Are Not the Same Everywhere, 1/12/22

Stimulus Checks – A Propensity to Consume

- “When the pandemic emerged in first quarter 2020, the Census Bureau initiated the Household Pulse Survey to quickly collect and disseminate data showing how people’s lives were affected. Starting in April 2020, 60,000 or more respondents were surveyed every week or two weeks about the pandemic and how stimulus checks were used.”
- “Almost three-quarters (73.0%) of first-round stimulus recipients reported that they mainly spent their payments, compared with about a quarter or less of second-round recipients (25.8%) and third-round recipients (22.5%) (Table 1).”

Primary use of stimulus payments	Mostly spent (%)	Mostly saved (%)	Mostly paid down debt (%)
Round 1	73.0	12.5	14.6
Round 2	25.8	22.4	51.8
Round 3	22.5	25.3	52.3

Dallas Fed, How Did Federal Stimulus Recipients Use Their Checks? January 11, 2022

Quote of the Week:

“Where is the knowledge we have lost in information?”
--- T.S Eliot

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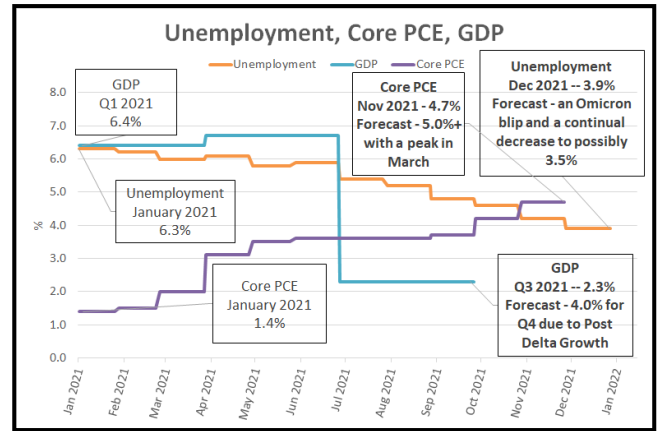
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Fed Unfiltered

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Economic Indicators:

- **Unemployment: 3.9% Dec** (CBO's Natural Rate: 4.2%)
 - Jan unemployment #'s will be released 2/4/22.
- **Core PCE: 4.7% Nov** (Avg. Inflation Target: 2.0%)
 - Dallas Fed's Trimmed Mean for Nov: 2.81%,
 - Trims off the lower & upper data spikes.
 - St Lou Fed 5yr Breakeven Inflation Rate: 2.80%.
 - Yield on Treasury minus yield on TIPS.
 - Dec's Core PCE will be released 1/28/22.
- **GDP: 2.3% Q3** (SF Fed Long Trend: 1.70%)
 - 4Q GDP (Adv. Estimate) will be out 1/27/22.

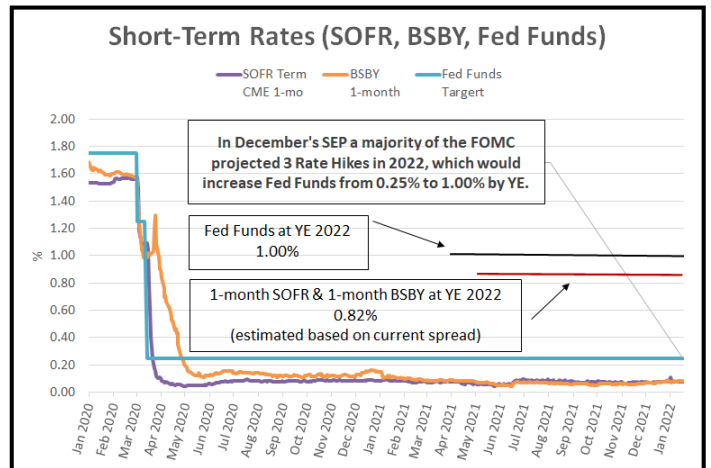
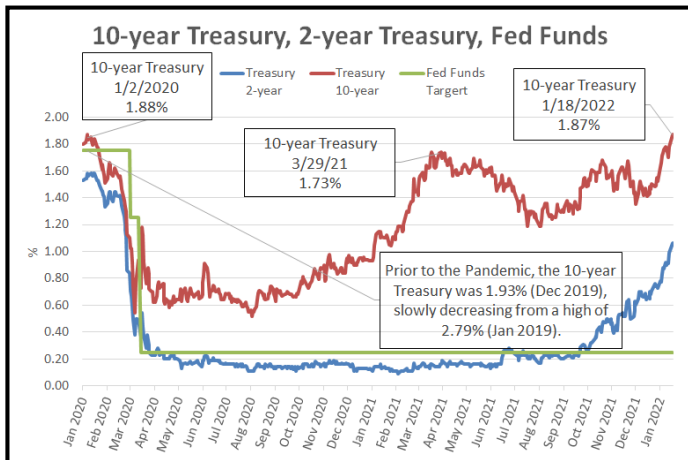


Rates --- 10-Day Trends

Borrowing Rates - Tax Exempt	1/4/22	1/5/22	1/6/22	1/7/22	1/10/22	1/11/22	1/12/22	1/13/22	1/14/22	1/18/22	10-Day Average	10-Day Avg vs 1/18/22	10-Day Change
2-Year Line of Credit (Fixed Rate Line of Credit)	2.39	2.37	2.44	2.46	2.49	2.51	2.47	2.47	2.46	2.55	2.46	↑ 0.09	0.16
10-year Term Loan	3.03	3.02	3.09	3.09	3.12	3.13	3.11	3.10	3.09	3.17	3.09	↑ 0.07	0.14
15-year Term Loan	3.37	3.37	3.44	3.43	3.47	3.46	3.45	3.44	3.43	3.49	3.43	↑ 0.06	0.12

Key Interest Rates	1/4/22	1/5/22	1/6/22	1/7/22	1/10/22	1/11/22	1/12/22	1/13/22	1/14/22	1/18/22	10-Day Average	10-Day Avg vs 1/18/22	10-Day Change
Federal Funds (Target Range - Upper Limit)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.00	0.00
BSBY - Overnight	0.087	0.084	0.075	0.077	0.075	0.076	0.074	0.077	0.077	0.074	0.078	↓ (0.004)	(0.014)
BSBY - 1-month	0.070	0.079	0.080	0.080	0.074	0.075	0.081	0.082	0.082	0.083	0.078	↑ 0.004	0.013
SOFR - Overnight	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.000	0.045	↓ (0.045)	(0.050)
SOFR - 30-Day Average	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.000	0.000
SOFR - Term Rate - 1-Month (CME Term SOFR)	0.055	0.054	0.055	0.058	0.060	0.063	0.059	0.058	0.056	0.057	0.058	↓ (0.000)	0.002
US Treasury - 2-Year	0.77	0.83	0.88	0.87	0.92	0.90	0.92	0.91	0.99	1.06	0.91	↑ 0.16	0.29
US Treasury - 10-Year	1.66	1.71	1.73	1.76	1.78	1.75	1.74	1.70	1.78	1.87	1.75	↑ 0.12	0.21
US Treasury - 20-Year	2.10	2.12	2.12	2.15	2.15	2.13	2.13	2.10	2.18	2.24	2.14	↑ 0.10	0.14
10-year Treasury Spread (aka 2/10 Yield Curve) (10-year Treasury minus 2-year Treasury)	0.89	0.88	0.85	0.89	0.86	0.85	0.82	0.79	0.79	0.81	0.84	↓ (0.03)	(0.08)

Rates --- 2-Year Trends



Interesting reads that didn't make the Report:

- Nominal GDP Outlook Suggests It's Time to End Monetary Accommodation, Dallas Fed, 1/13/22 (6 pages)

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