

Page 1 – Speeches & Reports

- FOMC – a 75bps rate hike announced today.
- CBO – new forecasts for key economic metrics.
- College – single biggest predictor of success.

Page 2 – Economic Indicators & Rate Trends

Rate Hike – First 75bps Hike since November 1994

- FOMC increases FFTR by 75bps (new FFTR 1.75%).
- June SEP
 - Median projection for Fed Funds by YE is 3.40%, more aggressive rate hikes are ahead.

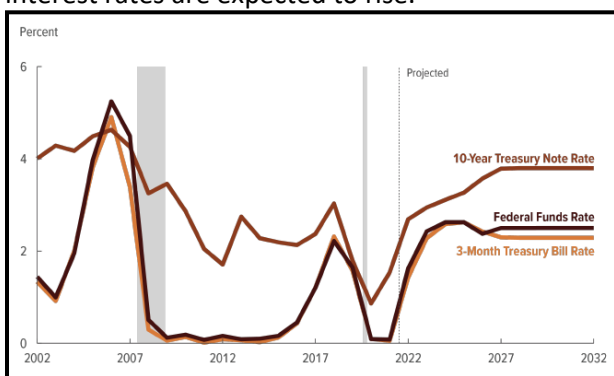
	May 3-4	June 14-15	July 26-27	Sept 20-21	Nov 1-2	Dec 13-14
Rate Hike Forecast	50bp	75bp	75bp	50bp	50bp	?
Expected Fed Funds	1.00%	1.75%	2.50%	3.00%	3.50%	?

- FOMC’s median YE projections show growth slowing, the unemployment rate increasing and inflation moderating only slightly.

Summary of Economic Projections --- Released 6/15/22			Currently
GDP	Mar 2022 SEP Forecast --- for YE 2022	2.8%	
	Jun 2022 SEP Forecast --- for YE 2022	1.7%	-1.5%
Unemployment	Mar 2022 SEP Forecast --- for YE 2022	3.5%	
	Jun 2022 SEP Forecast --- for YE 2022	3.7%	3.6%
Core PCE	Mar 2022 SEP Forecast --- for YE 2022	4.1%	
	Jun 2022 SEP Forecast --- for YE 2022	4.3%	4.9%

CBO – Forecasts for Rates, Jobs, GDP and Inflation

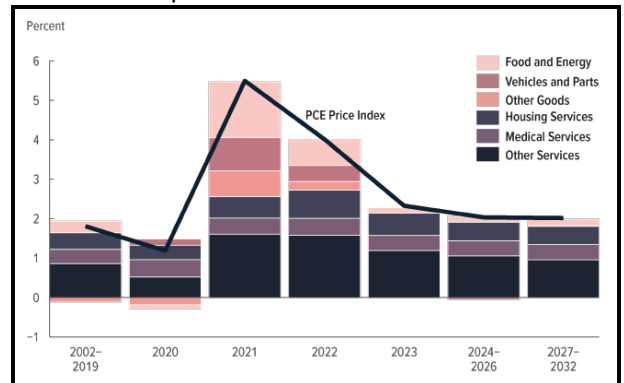
- Interest Rates: “CBO expects that the Federal Reserve will rapidly increase the target range for the federal funds rate in 2022 and 2023. In CBO’s projections, the interest rate on 3-month Treasury bills rises in concert with that increase. The interest rate on 10-year Treasury notes is expected to increase through 2028, in part because short-term interest rates are expected to rise.”



- Unemployment: “In CBO’s projections, the unemployment rate falls over the next year because of the ongoing expansion of the economy.”
- GDP: “After 2022, CBO projects, the growth of real gross domestic product will slow because of several factors, including tightening monetary policy, slowing demand for labor, and waning fiscal support.”
- Core PCE: “In CBO’s projections, inflation remains high in 2022. It then declines over the next few

years, nearing the Federal Reserve’s long run goal of 2 percent in 2024.”

- Inflation Composition: “Prices of food, energy, and motor vehicles surged in 2021, contributing a total of 2.3 percentage points to the 5.5 percent rate of inflation in the price index for personal consumption expenditures that year. CBO projects that those categories will also contribute significantly to inflation in 2022 but that their effects will taper off from 2023 onward.”



Source: CBO, Report: The Economic Outlook for 2022 to 2032 in 10 Slides, 6/9/22

College – The Single Biggest Predictor of Success

- Leukhina: In fact, this is kind of one thing that I found so impressive, that your high school GPA is such a strong predictor of what happens to you later on. So, for example, if I look at freshman from the lowest quartile of high school GPA, only 20% of them will graduate six years later. And if I look at freshmen with high school GPA in the top quartile, so in top 25%, as many as 72% of them will graduate within six years. So that’s a huge difference, right? These effects are seen right away. So even in the first year of college, we see that those top quartile students earn about twice as many credits as those students that were lower-performing students in high school. So yes, that’s an amazingly strong predictor because it basically captures how prepared you are for college, how good you are at studying, how good you are at submitting those essays and following deadlines.”
- Source: St. Louis Fed, Report via Podcast: Analyzing How Students Pick Which College to Attend, 6/13/22

Quote of the Week

“Change is not merely necessary to life, it is life.”

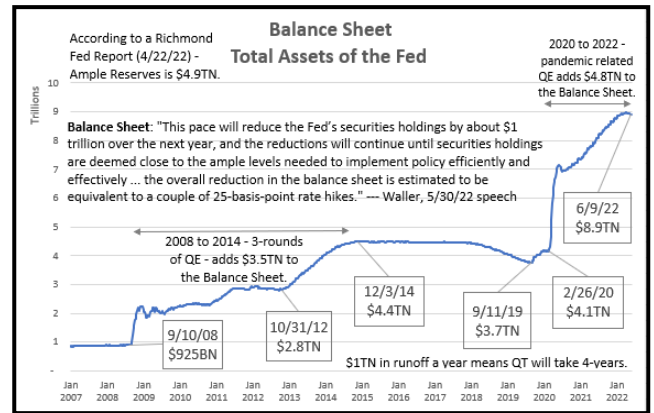
--- Alvin Toffler (American writer)

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Economic Indicators:

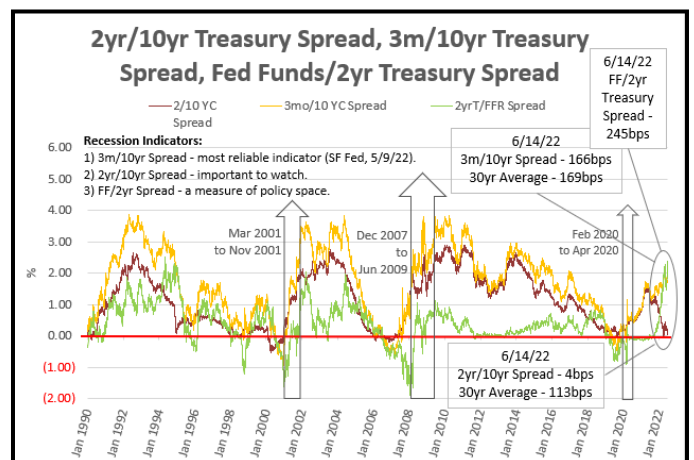
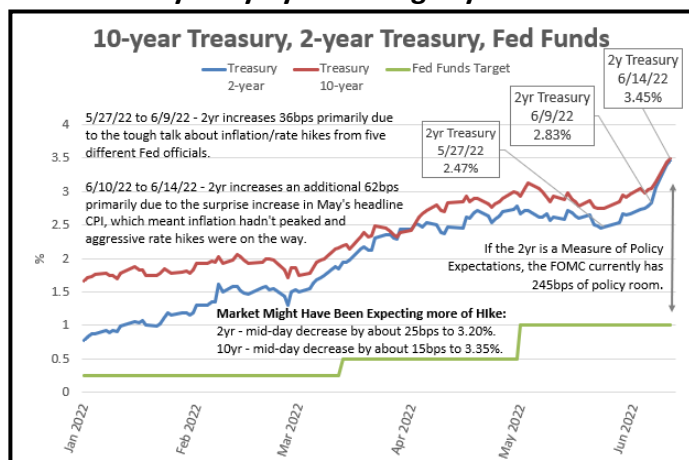
- GDP: -1.5% Q1 (2nd Est.) (Fed's Longer Run Rate 1.8%)
 - Q1 GDP (3rd Estimate) to be released 6/29/22.
- Core PCE: 4.9% Apr (Fed's Avg. Inflation Target: 2.0%)
 - Dallas Fed's Trimmed Mean for Apr: 3.75%.
 - Trims off the lower & upper data spikes.
 - St Lou Fed 5yr Breakeven Inflation Rate: 3.03%.
 - Yield on Treasury minus yield on TIPS.
 - May's Core PCE will be released 6/30/22.
 - **Note:** Although May's headline CPI (which includes food & energy) increased to 8.6% (from 8.3%), Core CPI decreased to 6.0% (from 6.1%).
- Unemployment: 3.6% May (Fed's Long Run Rate: 4.0%)
 - May's unemployment #'s to be released 7/8/22.



Rates --- 10-Day Trends

Key Interest Rates	5/31/22	6/1/22	6/2/22	6/3/22	6/6/22	6/7/22	6/8/22	6/9/22	6/10/22	6/13/22	6/14/22	10-Day Average	10-Day Avg vs 6/14/22	10-Day Change
Fed Funds Target Rate (FFTR)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00
Standing Repo Facility (SRF)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00
Interest on Reserve Balances (IORB)	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.00	0.00
Effective Fed Funds Rate (EFFR)	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.00	0.00
Overnight Reverse Repo Facility (ON RRP)	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.00	0.00
Fed's Balance Sheet (Total Assets in Millions)	8,914,281	8,915,050	8,915,050	8,915,050	8,915,050	8,915,050	8,915,050	8,918,254	8,918,254	8,918,254	8,918,254	8,916,145	(2,109)	3,973
BSBY - Overnight	0.825	0.835	0.832	0.829	0.822	0.821	0.824	0.824	0.823	0.835	0.825	0.827	(0.002)	(0.010)
BSBY - 1-month	0.920	0.957	0.984	1.010	1.010	1.015	1.075	1.127	1.188	1.202	1.214	1.078	0.135	0.257
SOFR - Overnight	0.790	0.800	0.790	0.780	0.780	0.770	0.760	0.750	0.750	0.730	0.000	0.770	(0.040)	(0.060)
SOFR - 30-Day Average	0.719	0.736	0.753	0.769	0.785	0.785	0.785	0.784	0.783	0.779	0.777	0.774	0.004	0.041
SOFR - Term Rate - 1-Month (CME Term SOFR)	1.081	1.088	1.126	1.143	1.158	1.184	1.199	1.244	1.258	1.279	1.334	1.201	0.133	0.246
US Treasury - 3-Month	1.16	1.15	1.17	1.21	1.26	1.26	1.28	1.30	1.39	1.73	1.83	1.36	0.47	0.68
US Treasury - 2-Year	2.53	2.66	2.65	2.66	2.73	2.75	2.78	2.83	3.06	3.40	3.45	2.90	0.55	0.79
US Treasury - 10-Year	2.85	2.94	2.92	2.96	3.04	2.98	3.03	3.04	3.15	3.43	3.49	3.10	0.39	0.55
US Treasury - 20-Year	3.28	3.31	3.30	3.33	3.41	2.35	3.40	3.40	3.45	3.68	3.72	3.34	0.39	0.41
3-Month / 10-year Treasury Yield Curve Spread (10yr minus 3mo Treasury) (30yr historical avg: 1.68)	1.69	1.79	1.75	1.75	1.78	1.72	1.75	1.74	1.76	1.70	1.66	1.74	(0.08)	(0.13)
2-Year / 10-year Treasury Yield Curve Spread (10yr minus 2yr Treasury) (30yr historical avg: 1.14)	0.32	0.28	0.27	0.30	0.31	0.23	0.25	0.21	0.09	0.03	0.04	0.20	(0.16)	(0.24)

Rates – A Very Busy 2yr Falls Slightly after Rate Hike Announcement – and – Recession Indicators



Interesting Reads that didn't make the Report:

- NY Fed, How Is the Corporate Bond Market Responding to Financial Market Volatility? 6/1/22
- Richmond Fed, Is Dollar Dominance in Doubt? 6/1/22
- Richmond Fed, Are There Compelling Reasons to Consider a Central Bank Digital Currency for the U.S.? 6/1/22

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