

## Overview

### FOMC – 50bps in Dec, and Maybe Rate Hikes thru May

- Making up for the slow holiday week, this week will bring three significant economic releases – GDP (2<sup>nd</sup> Est) on Wed, Oct's Core PCE on Thurs and Nov's jobs report on Friday – also, this is the last week before the Fed's blackout – expect a flurry of activity as the Fed attempts to reverse recent downward trends.
- 125bps in hikes = 50 in Dec; 25bps in Feb, Mar, May.

### Key Metrics

- Q3 GDP (2<sup>nd</sup> Est) – No change from the current 2.6% is expected – Q4 GDP's forecasts now range from 0.8% to 4.3%, reflecting our economic uncertainty.
- Core PCE (Oct) – although different measurements, Oct's Core PCE is expected to decrease as Core CPI did on Nov 10<sup>th</sup> – Core CPI fell from 6.6% to 6.3%.
- Jobs (Nov) – a slowdown is expected, median consensus is 200,000 job growth – a decrease from Oct's 261,000 but on par with the pre-pandemic average of 188,000 in job growth a month.

	Current	SEP Forecast for YE22	SEP Target or Long Run	Next Release Date
GDP	2.6	0.2	1.8	11/30/22
Core PCE	5.1	4.5	2.0	12/1/22
Unemployment Rate	3.7	3.8	4.0	12/2/22
Fed Funds (FOMC)	4.00	4.40	2.50	12/14/22

### Calendar

November	
11/30/2022	Gross Domestic Product, 3rd Quarter 2022 (Second Estimate)
11/30/2022	Biege Book, October 2022
December	
12/1/2022	Personal Income and Outlays, October 2022 (aka Core PCE)
12/2/2022	Employment Situation - November 2022
12/3/2022	FOMC, Blackout Period, December 3-15
12/13/2022	Consumer Price Index, November 2022
12/14/2022	FOMC Meeting, December 13-14
12/14/2022	FOMC, Summary of Economic Projects (SEP), December 2022

## Speeches and Interviews

### December Hike – Five Fed Officials on Record for 50bps

- Mester: "I think we can slow down from the 75."
- Waller: "considering stepping down to a 50bp hike."
- Harker: "rate hike of 50bp would still be significant."
- Evans: "stepping down to a pace that's not 75bps."
- Brainard: "potentially 50 basis points" in December.

Source: Speeches and Interviews over the last two weeks.

### Terminal Rate – Three maybe Four Hikes are on the Way

- Mester: "move further up."
- Daly: "something in between" 4.75% and 5.25%.
- Bostic: "75 to 100bps of additional tightening."
- Collins: "additional increases in the F.Funds Rate."
- Kashkari: "higher" than 4.90%.
- Bullard: "increased further" between 5.0% - 7.0%.
- Brainard: "we have additional work to do."
- Logan: "there's still a long way to go."

Source: Speeches and Interviews over the last two weeks.

### George – FF Dependent Upon Savings & Consumption

- "Higher saving of course provides an important buffer to households that can ease the adjustment

to economic disruptions. However, as we look today, these higher savings could also provide a further impetus to consumption. As the Central Bank slows the pace of demand growth and higher saving, of course, can lessen a precautionary pullback and consumption. It could well take a higher interest rate for some time to convince households to hold onto their savings rather than spend it down. And that of course, adding to inflationary pressure."

Esther George, Speech & Interview: XXV Annual Conference of the Central Bank of Chile, 11/22/22

## Reports

### Inflation – Other than TV's, Expect to Pay More

- "Despite high inflation, retail industry experts are predicting healthy holiday sales growth of about 6% to 8% over last year ... (*the table below takes*) a closer look at the degree of inflation that consumers can expect as they begin shopping for gifts this holiday season."

	Average (2001-2019)	2020	2021	2022 (Annualized)
Overall CPI	2.1%	1.3%	7.1%	7.7%
Food	1.9%	3.9%	6.5%	13.3%
Holiday Travel (Average)	3.1%	-17.5%	25.7%	29.2%
Airline	0.6%	-19.4%	0.7%	45.6%
Gas	5.7%	-16.7%	50.6%	12.8%
Holiday Gifts (Average)	-1.7%	-0.7%	6.9%	3.4%
Footwear	0.5%	-2.2%	6.0%	1.1%
Furnishings	-3.4%	0.9%	5.2%	5.9%
Gift Wrap and Stationery	0.1%	-0.2%	8.9%	12.0%
Household Furniture	-0.9%	2.2%	13.8%	6.7%
Infant Apparel	-0.4%	-5.3%	4.6%	3.0%
Jewelry	1.3%	1.1%	7.3%	0.9%
Men's Apparel	-0.5%	-3.4%	7.6%	0.3%
New Cars	0.1%	2.1%	12.0%	7.8%
Postage	3.5%	3.9%	6.7%	4.9%
Sporting Goods	-0.2%	2.5%	6.3%	4.7%
Tools	-0.2%	3.7%	7.2%	9.1%
Toys	-6.3%	-3.9%	1.8%	2.0%
TVs	-16.6%	-4.8%	4.7%	-16.8%
Women's Apparel	-0.7%	-6.2%	4.3%	5.4%

SOURCES: Bureau of Labor Statistics and authors' calculations.

NOTES: Historical values are the percent change in prices through December of the given year. Values for 2022 are annualized year-to-date inflation rates through October; that is, we show how much prices will increase in 2022 if the current rate of growth continues through December. We rely on seasonally adjusted series, so our method is unlikely to be affected by typical seasonal price changes.

St. Louis Fed, Report: Will Inflation Play the Grinch This Holiday Season? 11/22/22

## Trends

The Thanksgiving week was relatively quiet, although rates continued their slow downward trend, likely due to Fed commentary about easing back on rate hikes and recession fears, as the 3m/10yr inversion deepens.

Key Interest Rates	11/18/22	11/21/22	11/22/22	11/23/22	11/25/22	5-Day Change
Fed Funds Target Rate (FFTR)	4.00	4.00	4.00	4.00	4.00	0.00
BSBY - Overnight	3.869	3.873	3.864	3.865	3.869	0.000
BSBY - 1-month	3.854	3.853	3.862	3.882	3.915	↑ 0.061
SOFR - Overnight	3.800	3.800	3.800	3.790	0.000	↓ (0.010)
SOFR - 30-Day Average	3.418	3.495	3.521	3.547	3.599	↑ 0.181
SOFR - Term Rate - 1-Month	3.932	3.951	4.019	4.055	4.081	↑ 0.149
US Treasury - 3-Month	4.34	4.41	4.40	4.40	4.41	↑ 0.07
US Treasury - 2-Year	4.51	4.48	4.47	4.46	4.42	↓ (0.09)
US Treasury - 10-Year	3.82	3.83	3.76	3.71	3.68	↓ (0.14)
US Treasury - 20-Year	4.13	4.14	4.05	3.97	3.97	↓ (0.16)
YC Spread - 3-Month / 10-year Treasury	(0.52)	(0.58)	(0.64)	(0.69)	(0.73)	↓ (0.21)
YC Spread - 2-Year / 10-year Treasury	(0.69)	(0.65)	(0.71)	(0.75)	(0.74)	↓ (0.05)

## Quote of the Week

"There are no secrets to success. It is the result of preparation, hard work and learning from failure."  
--- Colin Powell

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