

Fed Officials

11 of 19 Fed Officials Spoke Last Week

Quick Overview

A near consensus on the terminal rate (currently 5.10%, December's SEP). About every Fed official who spoke last week mentioned going above 5.00%. The next question is how quickly do we get there? Bullard favors a 50bps hike, most however favor a 25bps hike.

Regarding a recession, Bullard and Waller say the chances of avoiding one, "have improved markedly".

A report from the Cleveland Fed discusses how inflation could be dealt with faster if a recession occurred.

Summary of Economic Projections (aka Fed Forecasts)

December SEP	Current	Fed Forecast YE 2023	Fed Forecast YE 2024	Fed Forecast Longer Run	Next Release Date
GDP	3.2	0.5	1.6	1.8	1/26/23
Core PCE	4.7	3.5	2.5	2.0	1/27/23
Fed Funds (FOMC)	4.50	5.10	4.10	2.50	2/1/23
Unemployment Rate	3.5	4.6	4.6	4.0	2/3/23
Core CPI	5.7	n/a	n/a	n/a	2/14/23

Fed Officials

Seven Fed officials have talked about their preferred rate hike for the January 31 – February 1 FOMC:

- Christopher Waller – 25bps – 1/20/23.
- Patrick Harker – 25bps – 1/20/23.
- Lorie Logan – 25bps – 1/18/23.
- James Bullard – 50bps – 1/18/23.
- Susan M. Collins – 25bps or 50bps – 1/11/23.
- Raphael Bostic – 25bps or 50bps – 1/6/23.
- Jerome Powell – 25bps – 12/14/22.

Recession – Chances of Soft Landing have Improved

- **Bullard:** "So we've been surprised to the upside on economic growth GDP now for the fourth quarter, Atlanta Fed still running around 4%. Third quarter came in stronger than expected, so you have a second half growth rate for 2022. That's quite a bit stronger than most people expected and stronger than the potential growth rate of the US economy. So that's putting us in better positions starting 2023 than we previously thought is pushing off recession forecasting way into the second half of 2023 and now it's not all that clear that will even materialize. I think the prospects for a soft landing have improved markedly here."

James Bullard, Interview: WSJ Live, 1/18/23

- **Waller:** "I've been fairly optimistic about the soft-landing story and so far, it seems to be holding up but there's always a recession risk ... Everybody thinks we're going to have a recession ... I don't hear anybody thinking it's going to be severe. It's going to be mild and pretty short-lived. So that's the good news about all this is we can bring inflation down and the worse that happens is you have a mild, short recession. That's not too bad."

Christopher Waller, Speech: A Case for Cautious Optimism, 1/20/23

Source Docs – Summarized, Referenced & Categorized

- [Fed Unfiltered, Up to Speed: Fed Officials – Fed Funds Forecasts](#)
- [Fed Unfiltered, Up to Speed: Fed Officials – Forecast by Topic](#)
- [Fed Unfiltered, Up to Speed: Fed Officials – Most Recent Speech or Interview](#)

Fed Reports

12 Fed Reports were Summarized, Categorized & Posted Last Week

Recession – 7.4% Unemployment Might be Needed

- "Looking ahead, our model projects that inflation only very gradually falls back to 2 percent. Progress toward target is very much influenced by the path that unemployment will take over the next several years. Conditional on the December SEP median unemployment rate projections, inflation is projected to still be nearly 2.7 percent by the end of 2025, far above the SEP's median projection of 2.1 percent. A moderate recession (roughly equal to the recession of 2001) would put inflation at 2.4 percent by the end of 2025; conversely, a soft landing (which we define as the path of unemployment in the June SEP projection) would put inflation a touch above 2.8 percent by the end of 2025. What kind of recession would it take to hit the SEP projection for inflation, according to the model developed in this paper? We investigate the claim of former Treasury Secretary Lawrence Summers (reported in Aldrick, 2022) and the supporting assessment of Ball, Leigh, and Mishra (2022) that it will take two years of 7.5 percent unemployment from its current low level to bring inflation down to its 2 percent target. We find that one year of 7.4 percent unemployment would accomplish this task."

Cleveland Fed, Report: Post-COVID Inflation Dynamics: Higher for Longer, 1/17/23

Interesting Reads that Didn't Make This Week's Report

- [Cleveland Fed, Report: The Discrepancy between Expenditure- and Income-Side Estimates of US Output](#) 1/17/23
- [St. Louis Fed, Report: Demand-Supply Imbalance during the COVID-19 Pandemic, The Role of Fiscal Policy](#) 1/20/23

Economic Releases

GDP Q4 Adv. Est. is out Thursday - December's PCE #'s are out Friday

January	
1/21/2023	FOMC - Blackout Period, January 21 - February 2
1/26/2023	Gross Domestic Product, 4th Quarter 2022 (Advance Estimate)
1/27/2023	Personal Income and Outlays - December 2022
1/31/2023	FOMC Meeting, January 31 - February 1
February	
2/3/2023	Employment Situation - January 2023
2/14/2023	Consumer Price Index - January 2023
2/23/2023	Gross Domestic Product, 4th Quarter 2022 (Second Estimate)
2/22/2023	FOMC - Minutes of the FOMC, Jan/Feb 1-2, 2023
2/24/2023	Personal Income and Outlays - January 2023

"In matters of style, swim with the current;
in matters of principal, stand like a rock."

--- Thomas Jefferson

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- Relevant Information for your Decision Making.
- A one-stop-shop for the interviews, speeches and essays of the 19 Fed officials.
- If you want to understand the direction of rates - read what Policymakers are saying, follow their forecasts.