

A Blackout Edition

Fed Officials

0 of 19 Fed Officials Spoke Last week due to the Fed's Blackout

Quick Overview

Due to the Fed's communication blackout, no Fed official spoke last week and no research reports were published.

Prior to the blackout, four Fed officials went on record supporting a 25bp hike on Feb 1; two others mentioned either a 25bp or 50bp hike and one Fed official (Bullard, of course) supported a 50bp hike. We'll find out their decision Wed (11am Pacific), some dissention is possible.

Two economic reports were published last week:

- GDP – Q4 2022 Advanced Estimate – 2.9%.
 - A strong Q4 could be followed by a weak Q1 2023 – Atlanta Fed's first estimate of Q1 GDP is 0.7%, in-line with the Fed's forecast for 2023.
- PCE – Dec declined to 4.4% (from Nov's 4.7%).
 - On 1/20/23, Waller mentioned how he'd need to see 6-months of data before pausing – three month of declines are in, only three to go.

Jan's jobs report is out this week – the median consensus is job growth of 175,000 (job growth of about 100,000 a month is needed to keep up with labor force growth).

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
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
GDP	2.9	0.5	1.6	1.8	2/23/23
Core PCE	4.4	3.5	2.5	2.0	2/24/23

Pause – Six Fed Officials mention High Rates into 2024

- Waller: So the argument is just whether you should pause after three months of data or pause after six months of data. From the risk management side, I'm going to lean towards I need six months of data and not just three."

[Christopher Waller, Speech: A Case for Cautious Optimism](#) 1/20/23

- Bostic: "Once we get to a number, I want, if the economy continues to proceed as we expect, just to stay there and hold it. And for me, my projection I have is holding it well into 2024 because I think that we should just wait and see. And I don't think there's a lot of urgency."

[Raphael Bostic, Interview: CNBC](#) 1/6/23

- In addition to Waller and Bostic, four other Fed officials have talked about keeping rates high through 2023 and into 2024:
 - James Bullard, MarketWatch, 11/28/22.
 - Tom Barkin, Bloomberg TV, 11/28/23.
 - Esther George, CNBC, 1/5/23.
 - Loretta Mester, Associate Press, 1/18/23

Rate Cuts – No Fed Officials mention Cuts in 2023

- "Because of their (*policymaker*) view of how the economy is expected to evolve, and how inflation is

expected to evolve, no one thinks that it'll be appropriate to move the funds rate down in 2023 ... And of course ... we acknowledge that if the economy evolves differently than we're projecting, policy might have to be different as well."

[Loretta Mester, Interview: Associated Press](#) 1/18/23

Fed Reports

2 Fed Reports - 2 IMF Reports - and 1 CBO Report Posted Last Week

Inflation – Shipping Costs and Inflationary Pressures

- "While skyrocketing food and energy prices were making headlines, the surge in shipping costs seemed to pass largely under the radar, despite its potential inflationary impact. Our analysis suggests that a doubling of shipping costs causes inflation to increase by roughly 0.7 percentage point. Given the actual increase in global shipping costs during 2021, we estimate that the impact on inflation in 2022 was more than 2 percentage points—a huge effect that few central banks would dismiss."
- "Our study also shows that the effect of the shipping cost shock on inflation is longer-lasting than the effects of commodity price shocks, peaking after about a year and lasting up to 18 months. By contrast, the impact of global oil prices on consumer price inflation peaks after only two months."
- "The pandemic spike in shipping costs is more than a year behind us, and our research suggests that we should already have seen most of its inflationary impact by now. Our estimates, moreover, are symmetric, such that declines in shipping costs would tend to bring inflation down in the following year. The implication is for the big moderation in shipping costs in 2022 to contribute to a reversal of inflationary pressures."

[IMF, Report: The Costs of Misreading Inflation](#) 1/24/23

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

- [IMF, Report: Commercial Real Estate in Crisis, Evidence from Transaction-Level Data](#) 1/27/23
- [NY Fed, Report: Mapping Home Price Changes](#) 1/25/23

Economic Calendar

1st FOMC of 2023 (Tues & Wed) - on Friday, January's Jobs Report

January	
1/21/2023	FOMC - Blackout Period, January 21 - February 2
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

"The real voyage of discovery consists not in seeking new lands, but seeing with new eyes."
--- Marcel Proust

Fed Unfiltered – Sign up for Email Notifications

- 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.