

Special Bulletin

On Sunday, the Treasury, Fed and FDIC took an unusual step and announced that all depositors of Silicon Valley Bank (SVB) and Signature Bank (SB) will be made whole.

Banks – (Ranking/Assets/Failure Date)

- SVB – 16th largest bank, \$209BN in assets, 3/10/23.
- SB – 29th largest bank, \$110BN in assets, 3/12/23.

Also on Sunday, the Fed set up a new funding program called the Bank Term Funding program, which would allow banks to meet funding needs by borrowing against securities, instead of liquidating securities.

There are 2,124 commercial banks in the United States with assets greater than \$300 million.

How this crisis will impact the Mar rate hike is unknown.

[Fed Board, Press Release: Banking System, Treasury Press Release, Fed Board Press Release, and Bank Term Funding Program Overview](#)

[Fed Board, Report: Chartered Commercial Banks that have Consolidated Assets of \\$300 million or more \(Ranked\)](#)

Fed Officials - Monetary Policy

Instead of a flurry of commentary from Fed Officials last week, there was one speaker and one message:

- **Powell:** “Nothing about the data suggests to me that we've tightened too much. Indeed, it suggests that we still have work to do.”

Whether 25bps or 50bps

- **Powell:** “If the totality of the data were to indicate that faster tightening is warranted, we would be prepared to increase the pace of rate hikes.”

Terminal Rate

At Wednesday’s testimony, Powell was asked if the terminal rate would fall between 5.00% and 5.50%:

- **Powell:** “My colleagues and I will write down new forecasts and release into the public on March 22. But as I mentioned in my testimony, the data we've seen so far this year suggests that the ultimate level of rates will need to be higher. But we still have some more data to come in between now and the meeting. But as of today, it suggests a higher level than that.”

The Importance of Data – Jobs and CPI Report

- **Powell:** “We have two or three more very important data releases to analyze before the time of the FOMC meeting. Those are going to be very important in the assessment ... And all of that will go into making the decision, which we have not made, but making the decision that we'll make about what to do at the March meeting.”

February’s jobs report posted on Friday (job growth of 311,000), a slowdown from January (where 517,000 were created) but still strong growth, and likely not conclusive enough to point the Fed to either 25bps or 50bps.

- Prior to the pandemic, when the unemployment rate was 3.5%, job growth averaged about 200,000 a month.

All eyes now turn to February’s CPI report, which will post Tuesday at 5:30am PDT. A 50bp rate hike is likely if the CPI is flat or increases.

March	
3/11/2023	FOMC - Blackout Period, March 11 - March 23
3/14/2023	Consumer Price Index - February 2023
3/21/2023	FOMC Meeting, March 21-22
3/22/2022	FOMC - Summary of Economic Projections (SEP) - March 2023

[Jerome Powell, Speech/Q&A: Semiannual Monetary Policy Report to Congress \(Senate\)](#) 3/7/23

[Jerome Powell, Speech/Q&A: Semiannual Monetary Policy Report to Congress \(House\)](#) 3/8/23

Fed Officials - Economy

John Williams updated his economic forecasts in mid-February, which might offer a preview of March’s SEP (aka median forecasts from the 19 Fed Officials.).

- **Inflation:** “As tighter policy actions continue to work to restore balance to supply and demand, I expect PCE inflation to fall to 3 percent in 2023.”
- **Unemployment:** “And I anticipate the unemployment rate to edge up over the next year to between 4 and 4-1/2 percent.”
- **GDP:** “I expect real GDP growth to come in around 1 percent for 2023.”

December’s Summary of Economic Projections (SEP)

December SEP	Current	Fed Forecast YE 2023	Fed Forecast YE 2024	Fed Forecast Longer Run	Next Release Date
Core CPI	5.6	n/a	n/a	n/a	3/14/23
Fed Funds (FOMC)	4.75	5.10	4.10	2.50	3/22/23
GDP	2.7	0.5	1.6	1.8	3/30/23
Core PCE	4.7	3.5	2.5	2.0	3/31/23
Unemployment Rate	3.6	4.6	4.6	4.0	4/7/23

[John Williams, Speech: Our Work Is Not Yet Done](#) 2/14/23

Research Reports

The Richmond Fed goes over the importance of market liquidity and current liquidity challenges.

[Richmond Fed, Report: Averting a Treasury Market Crisis](#) 3/8/23

The Richmond Fed analyzes FOMC transcripts and finds that they pay significant attention to the stock market.

[Richmond Fed, Report: The Fed, the Stock Market, and the “Greenspan Put”](#) 3/9/23

The KC Fed studies the national minimum wage changes in other counties and identifies the challenges.

[KC Fed, Report: The Employment Effect of an Increase in the National Minimum Wage, Review of International Evidence](#) 3/9/23

Additional Details & Resources

[Speeches, Interviews, Essays](#)

[Reports](#)

[Fed Unfiltered, Up to Speed: Fed Officials – In the Box](#)

[Fed Unfiltered, Up to Speed: Fed Officials – Forecast by Official](#)

[Fed Unfiltered, Up to Speed: Fed Officials – Forecast by Topic](#)

“The values of the world we inhabit and the people we surround ourselves with have a profound effect on who we are.”
— Malcolm Gladwell

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