

## Fed Officials - Monetary Policy

Despite all the clarity from Fed Officials, including Powell's singular message prior to the blackout:

- Fed Funds is going up;
- Either by 25bps or a data dependent 50bps;
- With a terminal rate of 5.50% or higher.

The banking crisis has now muddled the rate hike view.

The ECB's actions might offer a clue.

- For several weeks the ECB prepared the market for a 50bp rate hike and then followed through on Thursday – there was little to no reaction from European markets.

Of course, the problem of a perpetually anemic Credit Suisse is not quite the same as the sudden failure of two mid-sized U.S. Banks.

Without any communication from the Fed, the market is now pricing in a 25bp hike, with the possibility of no rate hike – versus an expected 50bps hike prior to the crisis.

To the Fed's advantage, the need for aggressive rate hikes diminishes as the chances of a recession grows.

- Cleveland Fed: "A moderate recession (roughly equal to the recession of 2001) would put inflation at 2.4 percent by the end of 2025 ... We investigate the claim of former Treasury Secretary Lawrence Summers ... 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."

Although, recent research from the Richmond Fed shows that the Fed "pays significant attention" to stock market developments.

- "Findings are consistent with the view that stock market declines affect monetary policy by reducing policymakers' growth expectations."

No matter what happens on Wednesday, the potential volatility on Monday and Tuesday will also be a factor.

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
3/22/2023	FOMC - Summary of Economic Projects (SEP) - March 2023
3/30/2023	Gross Domestic Product, 4th Quarter 2022 (Third Estimate)
3/31/2023	Personal Income and Outlays - February 2023

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

Richmond Fed, Report: The Fed, the Stock Market, and the "Greenspan Put" 3/9/23

## Fed Officials - Economy

In general, the economic forecast from Fed Officials are:

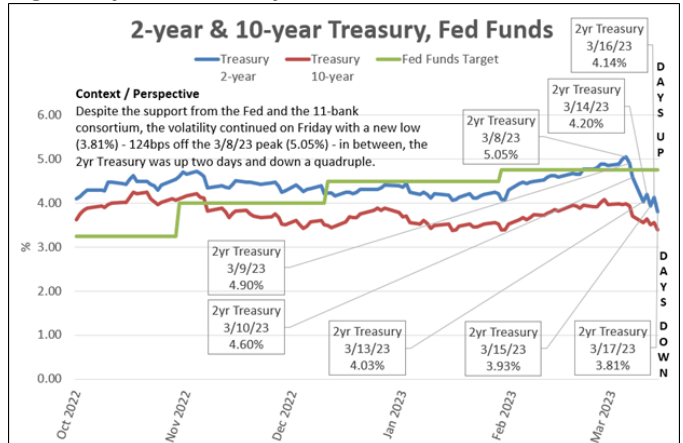
- Inflation will slow to 3.0% by YE23, continue slowing through 2024 and reach 2.0% goal by 2025.
- Unemployment Rate will top out between 4.0% and 4.5% by YE23 and retreat slightly in 2024.
- GDP will fall below trend (2.0%) in 2023, possibly sub 1.0%, and then return to trend in 2024.

## Summary of Economic Projections (SEP) - December

- The SEP median is the middle projection when the projections are arranged lowest to highest.

SEP - December	Current	Fed Forecast YE 2023	Fed Forecast YE 2024	Fed Forecast Longer Run	Next Release Date
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
Core CPI	5.6	n/a	n/a	n/a	4/12/23

## Eight Days of Volatility



## Banking Crisis - Press Releases

Fed Board (and Treasury, FDIC), Press Release: (1) Treasury Press Release, (2) Fed Board Press Release, and (3) Bank Term Funding Program 3/12/23

Fed Board, Press Release: Michael Barr to Lead a Review of the Supervision and Regulation of Silicon Valley Bank 3/15/23

Fed Board (and FDIC, Treasury), Press Release: Eleven Banks Support First Republic Bank 3/16/23

Fed Board (and Treasury), Press Release: We Welcome the Announcements by the Swiss Authorities Today 3/19/23

Swiss National Bank, Press Release: Liquidity Assistance to Support UBS Takeover of Credit Suisse 3/19/23

## Research Reports

February's CPI's numbers posted last week with the Core numbers decreasing slightly to 5.5% (from Jan's 5.6%).  
BLS, Report: Consumer Price Index – February 2023 3/14/23

The Fed's weekly statistical release was updated to include the Bank Term Funding program and the recent advances (\$11.9BN).  
Fed Board, Report: H.4.1 Statistical Release 3/16/23

The IMF talks about monetary policy and the lessons learned from the pandemic & the Russian/Ukraine war.  
IMF, Report: Crisis and Monetary Policy 3/17/23

## 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

"Nothing in life is to be feared, it is only to be understood. Now is the time to understand more, so we may fear less."  
— Maire Curie

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