

## Fed Officials - Monetary Policy

A 25bp rate hike this week, with a forecast for one more and an option for additional hikes (if the expected downturn isn't restrictive enough).

### 25bps Rate Hike

- **Powell:** "In principle, as a matter of fact, you can think of it (*events of past two weeks*) as being the equivalent of a rate hike or perhaps more than that. Of course, it's not possible to make that assessment today with any precision whatsoever. So our decision was to move ahead with a 25 basis point hike and to change our guidance, as I mentioned, from ongoing hikes to some additional hikes."

### A Forecast for One More

With Fed Funds now at 5.00% and a YE23 forecast (March SEP, median) of 5.10%, only one more rate hike is on the table. In the dot plot, 10 Fed Officials had a terminal rate of 5.25%, 3 were at 5.50%, 3 at 5.75%, and one at 6.00%.

### An Option for Additional Rate Hikes

- **Powell:** "What I heard was a significant number of people saying (*in the FOMC meeting*) that they anticipated there would be some tightening of credit conditions and that would really have the same effects as our policies do, and that therefore they were including that in their assessment and that if that did turned out not to be the case, in principle, you'd need more rate hikes."

### More Rate Hikes – The Forks in the Road

The first fork in the road will be the PCE report (out on Friday, 3/31/23). This metric typically parallels CPI, which posted two-weeks ago (and was down slightly). What happens with unemployment (4/7/23) will be more important. A slowdown to about 100,000 in job growth would be helpful. A meaningful decrease in the March CPI (4/12/23) would also be helpful, close to 5.0% ideal.

### Banking Crisis & Monetary Policy

- **Bullard:** "I think the overall message here is that we do have macroprudential policy tools which have been deployed. They can contain financial stress while appropriate monetary policy can continue to put downward pressure on inflation. So we do have tools to do both. We're deploying those effectively and I think we'll be successful."

March	
3/30/2023	Gross Domestic Product, 4th Quarter 2022 (Third Estimate)
3/31/2023	Personal Income and Outlays - February 2023
April	
4/7/2023	Employment Situation - March 2023
4/12/2023	FOMC - Minutes of the FOMC, March 21-22, 2023
4/12/2023	Consumer Price Index - March 2023
4/19/2023	The Beige Book - April 2023
4/22/2023	FOMC - Blackout Period, April 22 - May 4

[Jerome Powell, Speech/Q&A: FOMC Press Conference – March 2023](#) 3/22/23

[Fed Board, Report: Summary of Economic Projections \(SEP\) – March 2023](#) 3/22/23

[James Bullard, Speech: Financial Stress and the Current Macroeconomic Outlook](#) 3/24/23

## Fed Officials - Economy

Although the banking crisis is currently front and center, the Fed is keenly focused on the progress of inflation.

- **Bullard:** "So I think we have a lot more momentum than previously thought coming into this year, and that's going to make the inflation problem harder to handle."
- **Powell:** "Reducing inflation is likely to require a period of below-trend growth and some softening of labor market conditions."

Very little change in the March SEP. The terminal rate remained the same for 2023 with rate cuts in 2024. Slight decreases in the Fed's forecasts for GDP (down from December's forecast, 0.5%) and Jobs (down from 4.6%). Inflation is expected to be higher at YE (up from 3.5%).

SEP - March	Current	Fed Forecast YE 2023	Fed Forecast YE 2024	Fed Forecast Longer Run	Next Release Date
GDP	2.7	0.4	1.2	1.8	3/30/23
Core PCE	4.7	3.6	2.6	2.0	3/31/23
Unemployment Rate	3.6	4.5	4.6	4.0	4/7/23
Core CPI	5.6	n/a	n/a	n/a	4/12/23
Fed Funds (FOMC)	5.00	5.10	4.30	2.50	5/3/23

[James Bullard, Speech: Financial Stress and the Current Macroeconomic Outlook](#) 3/24/23

[Jerome Powell, Speech/Q&A: FOMC Press Conference – March 2023](#) 3/22/23

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## Research Reports

### NY Fed

A comparasin of home price changes from March 2022 (before rate hikes began) to Jan 2023 (425bps later).

[NY Fed, Report: Mapping Home Price Changes](#) 3/24/23

### KC Fed

The KC Fed reports on how slowing wage growth will likely cause delinquency rates to increase.

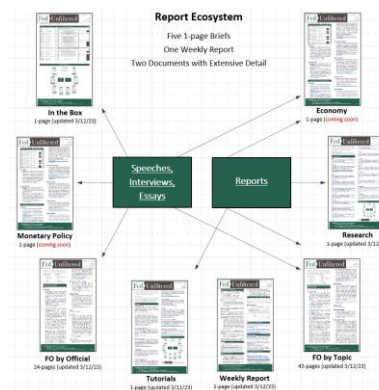
[KC Fed, Report: When the Music Stops, Slowing Wage Growth May Lead to More Delinquency Debt](#) 3/24/23

### OFR

The OFR talks about how digital currency is likely to be detrimental to financial stability.

[OFR, Report: Digital Currency and Banking-Sector Stability](#) 3/22/23

## Report Ecosystem



"The true harvest of my life is intangible - a little stardust caught, a portion of the rainbow I have clutched."  
--- Henry David Thoreau

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