

High Level

Fed Funds & Terminal Rate

- Fed Funds is currently 5.00%.
- A 25bps rate hike is expected at the May 2-3 FOMC.
- Currently the terminal rate (or end point for rate hikes) is 5.25%, although Fed Officials have talked about how Fed Funds could go higher if employment remains strong and inflation remains persistent.

Pause & Rate Cuts

- Currently, a pause is expected once Fed Funds reaches 5.25%. The pause could extend through the rest of 2023 and into 2024.
- Fed Officials are not forecasting rate cuts until sometime in 2024.

GDP

- Currently 2.6% (Q422, 3rd Estimate), Fed Officials are expecting growth to slow to 0.4% by YE23.
 - Q123 GDP (1st Est.), publish date – 4/27/23.

Inflation

- Currently 4.6% (Feb, Core PCE), Fed Officials are expecting inflation to decrease to 3.6% by YE23.
 - March Core PCE, publish date – 4/28/23.

Jobs

- Currently, the unemployment rate is 3.5% (March), Fed Officials are expecting an increase to 4.5% by YE23.
 - April jobs report, publish date – 5/5/23.

Recession

- Fed Officials are expecting a soft landing, although in recent commentary some Fed Officials have acknowledged that a recession is possible.

Detail

MONETARY POLICY

Fed Funds & Terminal Rate

Based on the March SEP and the 5.10% terminal rate, one more rate hike is currently expected in 2023, most likely 25bps at the next FOMC, May 2-3.

Last week, four voters chimed in about the direction of rates. There was one note of caution & three comments about more work to do to address demand/inflation.

- Austan Goolsbee (voter): “I think we need to be cautious. We should gather further data and be careful about raising rates too aggressively until we see how much work the headwinds are doing for us in getting down inflation.”
- Christopher Waller (voter): “I would welcome signs of moderating demand, but until they appear and I see inflation moving meaningfully and persistently down toward our 2 percent target, I believe there is still work to do.”
- Patrick Harker (voter): “My view all along, and I have been pretty public about this, we need to get rates above 5% and then sit there for a while.”

- John Williams (voter): “Well, that's a reasonable starting place (*Fed Funds between 5-5.25% and then pausing*). I mean, that's the median we saw from my colleagues.”

Michelle Bowman (voter) and Neel Kashkari (voter) also spoke last week, although neither mentioned Monetary Policy or Fed Funds.

Opinion/Reasoning

- **25bps rate hike on May 3rd is a near certainty.**
- **In the Mar SEP dot plot, 17 of 18 Fed Officials' YE23 Fed Funds forecast was 5.25% or higher.**
- **Within the last few weeks, 10 Fed Officials have talked about another rate hike, versus talking about a pause.**

Pause and Rate Cuts

Rate cuts are not on the Fed's agenda until 2024 (March SEP). Once the terminal rate (currently 5.25%), is reached, Fed Officials have talked about holding rate there for “some time”.

- Christopher Waller: “Another implication from my outlook and the slow progress lately is that, as of now, monetary policy will need to remain tight for a substantial period of time, and longer than markets anticipate.”

Balance Sheet

On March 22, the Fed said they will “continue reducing its holdings of Treasury securities,” and MBS securities.

Fed Official – Speaking Schedule

Three Fed Officials are scheduled to speak this week. John Williams on Wednesday (April 19th), followed by Raphael Bostic and Lorie Logan on Thursday (April 20th).

[Austan Goolsbee, Speech: Monetary Policy in Moments of Financial Uncertainty](#) 4/11/23

[Christopher Waller, Speech/Q&A: Financial Stabilization and Macroeconomic Stabilization, Two Tools for Two Problems](#) 4/14/23

[Patrick Harker, Speech: Opening Remarks, Wharton Initiative on Financial Policy & Regulation](#) 4/11/23

[John Williams, Interview: Yahoo Finance](#) 4/11/23

ECONOMY

Inflation

The Fed is expecting inflation to return to the 2.0% target sometime in 2025. The March SEP inflation forecast is 3.6% by YE23 and then a decrease to 2.6% by YE24.

The March CPI numbers posted Wednesday (April 12th) Core CPI increased to 5.6% (from February's 5.5%). This increase along with an unemployment rate decreasing adds to the near certainty for a rate hike on May 3rd.

Last week, Christopher Waller talked about the CPI report and some of the good news in the numbers.

- Christopher Waller: “And a good sign we got in the CPI report is that we finally saw, instead of housing shelter costs going up at eight tenths of a percent per month, they only went up at 0.5, half a percent

FedUnfiltered.com

- Federal Reserve Interviews, Speeches and Research Reports.
- Organized as a Resource for Planning and Forecasting.
- Relevant Information for your Decision Making.

per month. And we expect that to keep coming down. So that should pull some of the persistence. That's why most of us have inflation coming down to the three to three and a half range by the end of the year. Some of that persistence from housing will start fading away, and then we'll get inflation a lot closer to our target by the end of the year."

Jobs

The Fed is expecting the unemployment rate to increase to 4.5% by YE23 (March SEP). If the labor force and the number of employed persons maintained their current levels, 1,661,000 job losses would need occur to move the unemployment rate from the current 3.5% to 4.5%.

GDP

Q422 GDP (3rd est.) was adjusted down (from 2.7% to 2.6%). Q123 is trending at 2.5% (Atlanta Fed GDPNow).

Recession

Depending on the impact of the banking crisis, a recession may or may not be on the way. Ultimately, the Fed is working toward a soft landing.

- In January, the Cleveland Fed published two research reports that talked about how an increase in the unemployment rate and a recession was the quickest way to rapidly slow inflation (links below).

[Christopher Waller, Speech/Q&A: Financial Stabilization and Macroeconomic Stabilization, Two Tools for Two Problems 4/14/23](#)

[Cleveland Fed, Report: The Intermittent Phillips Curve, Finding a Stable \(But Persistence-Dependent\) Phillips Curve Model Specification 2/14/23](#)

[Cleveland Fed, Report: Post-COVID Inflation Dynamics: Higher for Longer 1/17/23](#)

Tables

Rate Trends – 5-Day Rolling

Key Interest Rates	4/10/23	4/11/23	4/12/23	4/13/23	4/14/23	5-Day Change
Fed Funds Target Rate (FFTR)	5.00	5.00	5.00	5.00	5.00	0.00
BSBY - Overnight	4.883	4.886	4.895	4.900	4.894	↑ 0.011
BSBY - 1-month	4.899	4.901	4.907	4.904	4.913	↑ 0.014
SOFR - Overnight	4.810	4.800	4.800	4.800	0.000	↓ (0.010)
SOFR - 30-Day Average	4.725	4.733	4.742	4.750	4.758	↑ 0.034
SOFR - Term Rate - 1-Month	4.855	4.876	4.881	4.890	4.893	↑ 0.038
US Treasury - 3-Month	5.08	5.04	5.02	5.10	5.14	↑ 0.06
US Treasury - 2-Year	4.00	4.03	3.95	3.96	4.08	↑ 0.08
US Treasury - 10-Year	3.41	3.43	3.41	3.45	3.52	↑ 0.11
YC Spread - 3-Month / 10-year Treasury	(1.67)	(1.61)	(1.61)	(1.65)	(1.62)	↑ 0.05
YC Spread - 2-Year / 10-year Treasury	(0.59)	(0.60)	(0.54)	(0.51)	(0.56)	↑ 0.03

[Fed Unfiltered, Daily Trends: Tables \(4/14/23\)](#)

Economic Calendar

April	
4/19/2023	The Beige Book - April 2023
4/22/2023	FOMC - Blackout Period, April 22 - May 4
4/27/2023	Gross Domestic Product, 1st Quarter 2023 (Advanced Estimate)
4/28/2023	Personal Income and Outlays - March 2023
May	
5/2/2023	FOMC Meeting, May 2-3
5/5/2023	Employment Situation - April 2023
5/10/2023	Consumer Price Index - April 2023
5/24/2023	FOMC - Minutes of the FOMC, May 2-3, 2023
5/25/2023	Gross Domestic Product, 1st Quarter 2023 (Second Estimate)
5/26/2023	Personal Income and Outlays - April 2023
5/31/2023	The Beige Book - May 2023

[Fed Unfiltered, Up to Speed: Economic Releases \(Apr, May, June\)](#)

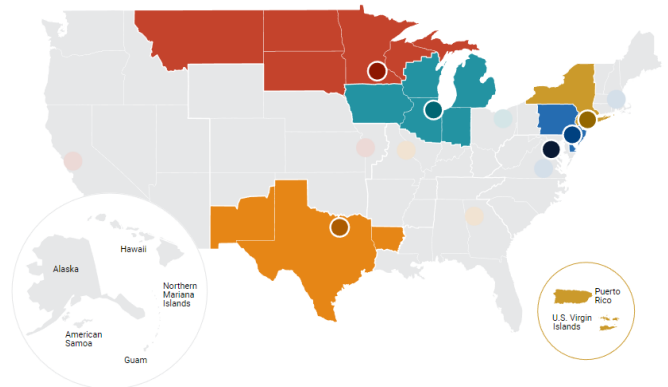
FOMC Forecasts – SEP (March 2023)

SEP - March	Current	Fed Forecast YE 2023	Fed Forecast YE 2024	Fed Forecast Longer Run	Next Release Date
GDP	2.6	0.4	1.2	1.8	4/27/23
Core PCE	4.6	3.6	2.6	2.0	4/28/23
Fed Funds (FOMC)	5.00	5.10	4.30	2.50	5/3/23
Unemployment Rate	3.5	4.5	4.6	4.0	5/5/23
Core CPI	5.6	n/a	n/a	n/a	5/10/23

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

FOMC – Voters (2023)

- The eight permanent FOMC voters are the New York Fed president and the Board of Governors.
 - Highlighted in gray in the table below.
- Each year, four FOMC voters rotate among the remaining 11 Federal Reserve bank presidents.
 - Highlighted in blue in the table below.



FOMC – Most Recent Speech, Interview or Essay

MOST RECENT --- SPEECH, INTERVIEW, ESSAY	Date	TOPIC	
Christopher Waller	Fed Board - Member	4/14/23	Monetary Policy, Economy
Raphael Bostic	Atlanta Fed - President	4/14/23	Monetary Policy, Economy
Austan Goolsbee	Chicago Fed - President	4/14/23	Monetary Policy, Economy
Michelle Bowman	Fed Board - Member	4/14/23	U.S. Banking System
Mary Daly	San Francisco Fed - President	4/12/23	Monetary Policy, Economy
Tom Barkin	Richmond Fed - President	4/12/23	Economy
John Williams	NY Fed - President	4/11/23	Monetary Policy, Economy
Patrick Harker	Philadelphia Fed - President	4/11/23	Monetary Policy, Economy
Neel Kashkari	Minneapolis Fed - President	4/11/23	Economy
James Bullard	St. Louis Fed - President	4/11/23	Essay on Trade/Globalization
Loretta Mester	Cleveland Fed - President	4/5/23	Monetary Policy, Economy
Susan M. Collins	Boston Fed - President	4/3/23	Monetary Policy
Lisa Cook	Fed Board - Member	3/31/23	Monetary Policy, Economy
Michael Barr	Fed Board - Vice Chair for Supervision	3/29/23	Banking System, SVB Failure & CRA
Philip Jefferson	Fed Board - Member	3/27/23	How Monetary Policy Works
Jerome Powell	Fed Board - Chair	3/22/23	Monetary Policy, Economy
Forecasts Prior to March 21-22 FOMC Meeting			
Lorie Logan	Dallas Fed - President	3/3/23	Dysfunction in Core Markets
Forecasts Prior to Jan 31 - Feb 1 FOMC Meeting			
Esther George (Retired)	Kansas City Fed - President	1/20/23	Monetary Policy, Economy
Lael Brainard (Resigned)	Fed Board - Vice Chair	1/19/23	Monetary Policy, Economy

INFO Ecosystem



FedUnfiltered.com

- Federal Reserve Interviews, Speeches and Research Reports.
- Organized as a Resource for Planning and Forecasting.
- Relevant Information for your Decision Making.