

High Level

Fed Funds & Terminal Rate

- Fed Funds is currently 5.00%.
- A 25bps rate hike is expected at the May 2-3 FOMC.
- The terminal rate is currently 5.25%.

Pause & Rate Cuts

- After May's rate hike, a pause and hold thru YE.
- Rate cuts aren't forecasted until 2024.

GDP

- Currently 2.6% (Q422, 3rd Estimate), Fed Officials are expecting growth to slow to 0.4% by YE23.

Inflation

- Currently 4.6% (Feb, Core PCE), Fed Officials are expecting inflation to decrease to 3.6% by YE23.

Jobs

- Currently, unemployment rate is 3.5% (March), Fed Officials are expecting an increase to 4.5% by YE23.

Monetary Policy

Fed Funds & Terminal Rate

A rate hike in May seems to be a foregone conclusion.

- In the March SEP dot plot, 17 of 18 Fed Officials' YE23 Fed Funds forecast was 5.25% or higher.
- Over the last few weeks, 10 of 18 Fed Officials have talked about more rate hikes, instead of a pause.

The March SEP has the terminal rate at 5.10% (or 5.25%).

If tighter financing conditions are a significant headwind on the economy, the Fed would likely pause hikes at 5.25%, and hold at that level through the end of 2023.

On April 11th, [Austan Goolsbee \(voter\)](#) speculated that the tightening of financial conditions might equal raising the Fed Funds rate between 25-75bps.

Without the tightening of financial conditions, would the terminal rate then need to be as high as 5.75%? [Jerome Powell \(voter\)](#) said as much before the banking crisis moderated the Fed's view.

- On March 8th, a House member asked if the terminal rate will be between 5.00% and 5.50%. Powell said, "it (*data*) suggests a higher level than that."

So, if the banking crisis doesn't bring the expected tightening of financial conditions and instead strong economic conditions continue (job growth; GDP remains in the 2.0% range) and if the inflation decreases continue at a snail's pace, it's likely a pause will be off the table and rate hikes back on.

The next real indication regarding the health of the economy (a slowdown or continued growth) will be the April jobs report on May 5th (1-day after the blackout) and the April CPI report, out May 10th.

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

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

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 rates through 2023 and into 2024.

Balance Sheet

Quantitative Tightening (QT) is an effort to reduce the Fed's balance sheet by allowing securities to mature without reinvestment.

- [Loretta Mester](#): "We set in motion, last year, that reduction in the balance sheet ... as assets run off, of course, the balance sheet is reduced and we get that tightening effect. But that isn't really the active tool. We're having that run sort of in the background and then using our policy tool as the tool, active tool, in monetary policy."

[Loretta Mester, Speech: Progress and Prudence, An Update on the Economy and Monetary Policy](#) 4/20/23

Fed Official – Speaking Schedule

The Fed's communication blackout begins Saturday (April 22nd) and ends Thursday (May 4th). Jerome Powell's post FOMC press conference will be May 3rd.

Economy

Last week, John Williams, Loretta Mester and Patrick Harker outlined their economic forecasts, which still remain largely aligned with the March SEP.

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.

- [John Williams Forecast](#): "3.25% this year".
- [Loretta Mester Forecast](#): "3.75% this year".
- [Patrick Harker Forecast](#): "3.50% this 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%.

- [John Williams Forecast](#): "4.00 to 4.50%".
- [Loretta Mester Forecast](#): "4.50% to 4.75%".
- [Patrick Harker Forecast](#): "4.40%".

GDP

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

- [John Williams Forecast](#): "to grow modestly".
- [Loretta Mester Forecast](#): "well below trend".
- [Patrick Harker Forecast](#): "bit below 1.0%".

Q123 GDP (advanced estimate) will post Thursday (April 27th). March PCE numbers will be out Friday (April 28th),

[John Williams, Speech: Attaining and Maintaining Price Stability](#) 4/19/23

[Loretta Mester, Speech: Progress and Prudence, An Update on the Economy and Monetary Policy](#) 4/20/23

[Patrick Harker, Speech: Understanding Monetary Policy Through the Housing Channel](#) 4/20/23

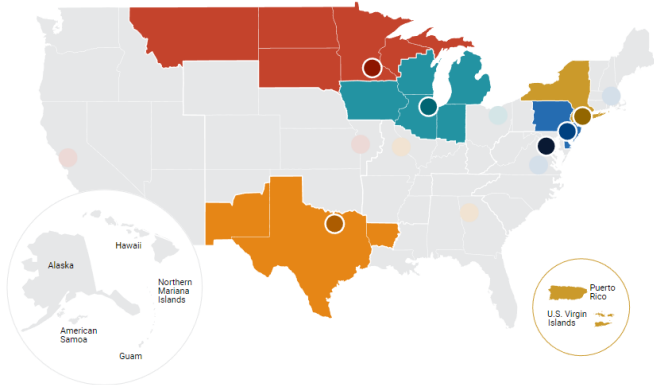
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Fed Officials

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
Lisa Cook	Fed Board - Member	4/21/23	Monetary Policy, Economy
Loretta Mester	Cleveland Fed - President	4/20/23	Monetary Policy, Economy
Patrick Harker	Philadelphia Fed - President	4/20/23	Monetary Policy, Economy
Christopher Waller	Fed Board - Member	4/20/23	Tokenization and AI
Michelle Bowman	Fed Board - Member	4/20/23	Fed Listens Event
Lorie Logan	Dallas Fed - President	4/20/23	Monetary Policy, Economy
Raphael Bostic	Atlanta Fed - President	4/20/23	Speech & Q&A are not yet available
John Williams	NY Fed - President	4/19/23	Monetary Policy, Economy
Austan Goolsbee	Chicago Fed - President	4/18/23	Monetary Policy, Economy
James Bullard	St. Louis Fed - President	4/18/23	Monetary Policy, Economy
Tom Barkin	Richmond Fed - President	4/17/23	Speech/Q&A are Not Available
Mary Daly	San Francisco Fed - President	4/12/23	Monetary Policy, Economy
Neel Kashkari	Minneapolis Fed - President	4/11/23	Economy
Susan M. Collins	Boston Fed - President	4/3/23	Monetary Policy
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			
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

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](#)

Economic Calendar

April	
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)

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

Economy --- Quick Overview

Inflation

CPI measures the price changes for a basket of goods and services purchased by the typical urban consumer, with index weighting adjusted annually. CPI is published monthly by the Bureau of Labor and Statistics (BLS).

PCE is a broad index of prices focused on consumer in the U.S., with index weighting updated monthly. This is the Fed's preferred inflation measure. Core PCE excludes food and energy. PCE is published monthly by the Bureau of Economic Analysis (BEA).

Jobs

The Unemployment Report is compiled from a monthly survey of about 60,000 eligible households. A sample that's selected to represent the entire population of the U.S. Report is published monthly by the Bureau of Labor and Statistics (BLS).

GDP

GDP is a comprehensive measure of economic activity based on the value of the final goods & services produced in the U.S. GDP is published quarterly by the Bureau of Economic Analysis (BEA).

Rate Trends – 5-Day Rolling

Key Interest Rates	4/17/23	4/18/23	4/19/23	4/20/23	4/21/23	5-Day Change
Fed Funds Target Rate (FFTR)	5.00	5.00	5.00	5.00	5.00	0.00
BSBY - Overnight	4.893	4.892	4.892	4.887	4.887	↓ (0.006)
BSBY - 1-month	4.915	4.929	4.939	4.942	4.957	↑ 0.042
SOFR - Overnight	4.800	4.800	4.800	4.800	0.000	0.000
SOFR - 30-Day Average	4.782	4.790	4.799	4.807	4.815	↑ 0.034
SOFR - Term Rate - 1-Month	4.917	4.938	4.946	4.964	4.971	↑ 0.053
US Treasury - 3-Month	5.21	5.20	5.16	5.12	5.14	↓ (0.07)
US Treasury - 2-Year	4.18	4.19	4.24	4.14	4.17	↓ (0.01)
US Treasury - 10-Year	3.60	3.58	3.60	3.54	3.57	↓ (0.03)
YC Spread - 3-Month / 10-year Treasury	(1.61)	(1.62)	(1.56)	(1.58)	(1.57)	↑ 0.04
YC Spread - 2-Year / 10-year Treasury	(0.58)	(0.61)	(0.64)	(0.60)	(0.60)	↓ (0.02)

[Fed Unfiltered, Daily Trends: Tables \(4/21/23\)](#)

Research Reports

NY Fed

A visual representation of home price change with a map of home price changes in March 2022 vs. Feb 2023.

[NY Fed, Report: Mapping Home Price Changes 4/21/23](#)

Chicago Fed

This research tries to determine the likelihood of a U.S. default through lens of sovereign Credit Default Swaps.

[Chicago Fed, Report: What Does the CDS Market Imply for a U.S. Default? 4/21/23](#)

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