

Fed Officials - 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).

However, Fed Officials are alluding to additional rate hikes and a higher terminal rate, if the banking crisis doesn't slow down the economy enough.

- **Lisa Cook:** "Going forward, I am weighing the implications of stronger momentum in the economy against potential headwinds from recent developments. On the one hand, if tighter financing conditions restrain the economy, the appropriate path of the federal funds rate may be lower than it would be in their absence. On the other hand, if data show continued strength in the economy and slower disinflation, we may have more work to do."
- **John Williams:** "I will be particularly focused on assessing the evolution of credit conditions and their effects on the outlook for growth, employment, and inflation."

Pause and Rate Cuts

Rate cuts are not on the Fed's agenda until 2024 (March SEP). **Susan M. Collins** clarified the point further:

- "But I do think that unless we hold rates at a sufficiently tight level for some time, which I believe is likely to be through the end of 2023 before we start to bring them down, I think that that's what we're going to need to do in order to be successful with the fight against inflation."

LATEST --- SPEECH/INTERVIEW/ESSAY		Date	TOPIC
Lisa Cook	Fed Board - Member	3/31/23	Monetary Policy, Economy
John Williams	NY Fed - President	3/31/23	Monetary Policy, Economy
Christopher Waller	Fed Board - Member	3/31/23	Discussion about the Phillips Curve
Susan M. Collins	Boston Fed - President	3/30/23	Monetary Policy, Economy
Tom Barkin	Richmond Fed - President	3/30/23	Monetary Policy, Economy
Neel Kashkari	Minneapolis Fed - President	3/30/23	Economy
Michael Barr	Fed Board - Vice Chair for Supervision	3/29/23	Banking System, SVB Failure & CRA
James Bullard	St. Louis Fed - President	3/28/23	Financial Conditions Indexes
Philip Jefferson	Fed Board - Member	3/27/23	How Monetary Policy Works

[Lisa Cook, Speech: The U.S. Economic Outlook and Monetary Policy](#) 3/31/23

[John Williams, Speech: Achieving Balance Amid Uncertainty](#) 3/31/23

[Susan M. Collins, Speech: Remarks on the Outlook, Monetary Policy, and Supporting a Vibrant Economy](#) 3/30/23

Fed Officials - 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.

On 3/31/23, Core PCE posted a slight decline (from Jan's 4.7% to Feb's 4.6%), which paralleled CPI's numbers two weeks ago (Jan's Core CPI was 5.6%, Feb's 5.5%).

Jobs

The March SEP forecasts an increase in unemployment from 3.6% to 4.5% by YE23

On 3/31/23, **John Williams** talked about slower growth and higher unemployment.

- "I expect real GDP to grow modestly this year and for growth to pick up somewhat next year. Slower growth and tighter monetary policy will likely lead to some softening in the labor market. So, I anticipate unemployment gradually rising to about 4-1/2 percent over the next year."

[John Williams, Speech: Achieving Balance Amid Uncertainty](#) 3/31/23

GDP

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

SEP - March	Current	Fed Forecast YE 2023	Fed Forecast YE 2024	Fed Forecast Longer Run	Next Release Date
Unemployment Rate	3.6	4.5	4.6	4.0	4/7/23
Core CPI	5.5	n/a	n/a	n/a	4/12/23
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

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
4/27/2023	Gross Domestic Product, 1st Quarter 2023 (Advanced Estimate)
4/28/2023	Personal Income and Outlays - March 2023

Research Reports

KC Fed

Tight labor conditions in the service industry is a potential reason why monetary policy has yet to cool the labor market enough to bring inflation to target.

[KC Fed, Report: Why Has Monetary Policy Tightening Not Cooled the Labor Market Enough to Quell Inflation?](#) 3/31/23

NY Fed

Looks like labor force participation is less about the pandemic and more about aging population.

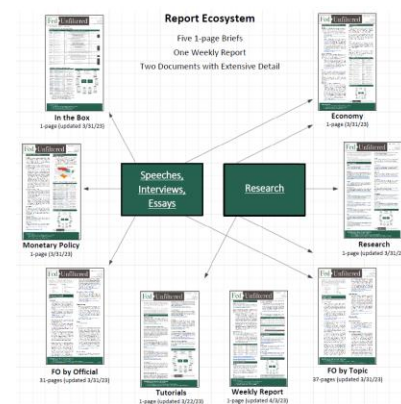
[NY Fed, Report: What Has Driven the Labor Force Participation Gap since February 2020?](#) 3/30/23

Richmond Fed

There are signs that L&H employers are less stressed about staffing levels, could mean slower hiring is ahead.

[Richmond Fed, Report: The Landscape of Labor in Leisure and Hospitality](#) 3/28/23

Report Ecosystem



"The whole life of a man is but a point in time; let us enjoy it."
--- Plutarch

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