

High Level

Fed Funds & Terminal Rate

Fed Funds is 5.25%. Based on the YE FF forecast in the March SEP, we've arrived at the Terminal Rate. The next FOMC meeting will be June 13-14, which will be accompanied by an updated SEP.

Pause & 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 talk about holding rates thru 2023 and into 2024.

GDP

Currently 1.1% (Q123, Advanced Estimate), adjusted down from 2.6% (Q422). Fed Officials are expecting growth to slow to 0.4% by YE23. Q223 is trending at 2.7% (Atlanta Fed GDPNow).

Inflation

Currently 4.6% (Feb, Core PCE). Fed Officials are expecting inflation to return to the 2.0% target sometime in 2025. The March SEP inflation forecast is 3.6% by YE23.

Jobs

The unemployment rate is 3.4% (April). The Fed is expecting the unemployment rate to increase to 4.5% by YE23 (March SEP). 253,000 jobs were created in April, the U-Rate fell to 3.4%.

FOMC Forecasts – SEP (March 2023)

SEP - March	Current	Fed Forecast YE 2023	Fed Forecast YE 2024	Fed Forecast Longer Run	Next Release Date
GDP	1.1	0.4	1.2	1.8	5/25/23
Core PCE	4.6	3.6	2.6	2.0	5/26/23
Unemployment Rate	3.4	4.5	4.6	4.0	6/2/23
Core CPI	5.5	n/a	n/a	n/a	6/13/23
Fed Funds (FOMC)	5.25	5.10	4.30	2.50	6/14/23

Fed Unfiltered - Opinion

John Williams spoke on Tuesday and talked in general terms about monetary policy, while going into detail on inflation.

- Williams: “The March price data indicate some moderation in overall rent inflation. And rents for new leases have been showing slower rates of increases, which should bring down shelter inflation in coming months. This is important because shelter inflation had been a significant driver of higher inflation over the past year.”

Austan Goolsbee's interview on Monday is the most recent comment from a Fed Official regarding monetary policy.

- Goolsbee: “We're more than a month away from the next FOMC meeting. I don't think we can decide what we should do with rates now. We have to see what's happening with these conditions, especially the credit conditions, the job market conditions, and what's coming in on the month-to-month inflation on the price side.”

On Tuesday, John Williams also talked about those credit factors.

- Williams: “I will be particularly focused on assessing the evolution of credit conditions and their effects on the outlook for growth, employment, and inflation.”

After Friday's job growth numbers and today's CPI report (5.5%, essentially flat) two nails are now in in the rate hike coffin. Because of proximity though, the June releases will likely be the determining factor on whether the FOMC pauses or hikes.

- June 2nd – May Jobs report.
- June 13th – May CPI report.

At the May 3rd press conference, Jerome Powell kept both options (a pause or a rate hike) on the table for June.

- Option to Pause: “we're no longer saying that we anticipate

(a rate hike). And so we'll be driven by incoming data, meeting by meeting, and we'll approach that question at the June meeting.”

- Option to Hike: Question – Will 5.25% be the terminal rate? “It's not possible to say that with confidence now ... it's an ongoing assessment.”

[John Williams, Speech: This is the Way 5/9/23](#)

[Austan Goolsbee, Interview: Yahoo Finance 5/8/23](#)

[Jerome Powell, Speech/Q&A: FOMC May 2-3 Meeting Press Conference 5/3/23](#)

FOMC Voters – Permanent Voters (Gray) – Rotating Voters (Blue)

MOST RECENT --- SPEECH, INTERVIEW, ESSAY	Date	TOPIC	
John Williams	NY Fed - President	5/9/23	Monetary Policy, Economy
Philip Jefferson	Fed Board - Member	5/9/23	Economy (recording not yet available)
Austan Goolsbee	Chicago Fed - President	5/8/23	Monetary Policy, Economy
James Bullard	St. Louis Fed - President	5/5/23	Monetary Policy, Economy
Lisa Cook	Fed Board - Member	5/5/23	Commencement Address
Jerome Powell	Fed Board - Chair	5/3/23	Monetary Policy, Economy
Forecasts Prior to May 2-3 FOMC Meeting			
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
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
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

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Fed Officials

John Williams, Speech, 5/9/23

Fed Funds was talked about in general terms, although specifics were shared about inflation, GDP and jobs.

[John Williams, Speech: This is the Way 5/9/23](#)

Philip Jefferson, Interview, 5/9/23

Recording of the event has not yet been made available. Inflation was discussed, as mentioned in new articles.

[Philip Jefferson, Speech: Atlanta Black Chambers 5/9/23](#)

Austan Goolsbee, Interview, 5/8/23

In this 12-minute interview, Goolsbee talks about credit conditions, Fed Funds, the possibility of a recession & QT.

[Austan Goolsbee, Interview: Yahoo Finance 5/8/23](#)

Research Reports

BLS

April's CPI numbers were 5.5%, slightly down from March's 5.6%. Increases were from shelter, cars/trucks.

[BLS, Report: Consumer Price Index – April 2023 5/10/23](#)

St. Louis Fed

A strong possibility that consumption will remain high while excess savings persist, resulting in high inflation for longer despite a contractionary monetary policy.

[St. Louis Fed, Report: Where Might Inflation Head? 5/9/23](#)

Richmond Fed

Headline PCE inflation's persistence has fallen slightly from peak but remains near its 20-year high.

[Richmond Fed, Report: Inflation Staying Persistent 5/9/23](#)

Economic Calendar

May	
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
June	
6/2/2023	Employment Situation - May 2023
6/3/2023	FOMC - Blackout Period, June 3 - June 15

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

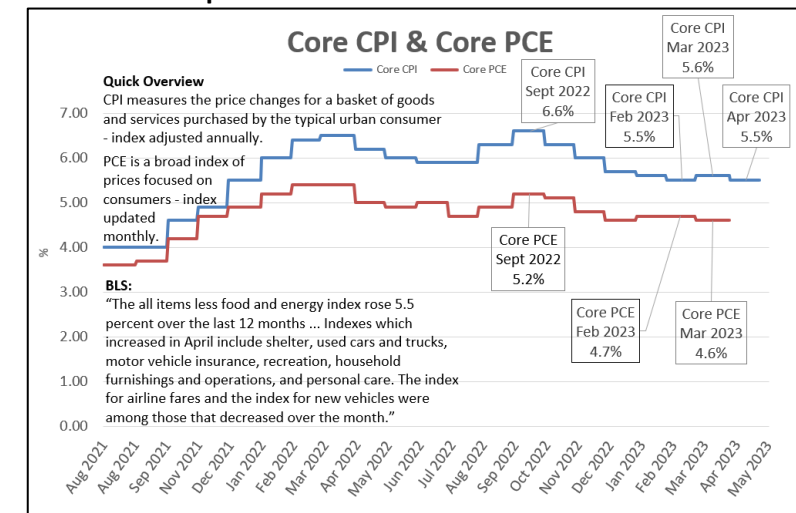
Rate Trends

Key Interest Rates	5/8/23	5/9/23	Change
Fed Funds Target Rate (FFTR)	5.25	5.25	↑ 0.25
BSBY - 1-month	5.09	5.10	↑ 0.00
SOFR - Term Rate - 1-Month (CME Term SOFR)	5.05	5.05	↓ (0.00)
US Treasury - 3-Month	5.31	5.29	↓ (0.02)
US Treasury - 2-Year	4.00	4.01	↑ 0.01
US Treasury - 10-Year	3.52	3.53	↑ 0.01
3-Month / 10-year Treasury Yield Curve Spread	(1.79)	(1.76)	↑ 0.03
2-Year / 10-year Treasury Yield Curve Spread	(0.48)	(0.48)	0.00

Key Interest Rates	5/3/23	5/4/23	5/5/23	5/8/23	5/9/23	5-Day Change
Fed Funds Target Rate (FFTR)	5.25	5.25	5.25	5.25	5.25	0.00
BSBY - Overnight	4.903	4.903	4.952	5.097	5.152	↑ 0.249
BSBY - 1-month	5.057	5.068	5.084	5.094	5.097	↑ 0.040
SOFR - Overnight	4.810	5.060	5.060	5.060	0.000	↑ 0.250
SOFR - 30-Day Average	4.815	4.814	4.822	4.847	5.856	↑ 1.040
SOFR - Term Rate - 1-Month	5.040	5.043	5.050	5.055	5.054	↑ 0.014
US Treasury - 3-Month	5.26	5.26	5.26	5.31	5.29	↑ 0.03
US Treasury - 2-Year	3.89	3.75	3.92	4.00	4.01	↑ 0.12
US Treasury - 10-Year	3.38	3.37	3.44	3.52	3.53	↑ 0.15
YC Spread - 3-Month / 10-year Treasury	(1.88)	(1.89)	(1.82)	(1.79)	(1.76)	↑ 0.12
YC Spread - 2-Year / 10-year Treasury	(0.51)	(0.38)	(0.48)	(0.48)	(0.48)	↑ 0.03

[Fed Unfiltered, Daily Report: Rate Trends \(5/9/23\)](#)

Annotated Graphs



Annotated Graphs

Fed Official Report - and - Research Report

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Fed Officials – Fed Funds Forecast – In the Box

2023 Voter	Fed	Fed Official	Role	Date	MOST RECENT --- Comment about Fed Funds	Source	If a Specific Rate Mentioned
Voter	Board	Jerome Powell	Fed Board - Chair	5/3/23	"We're getting closer or maybe even there. But that again, that's going to be an ongoing assessment and we're going to be looking at those factors ... to determine whether there's more to do."	FOMC Press Conference – May 2023, 5/3/23	Rate Not Mentioned
Voter	Board	Lael Brainard <i>(Resigned)</i>	Fed Board - Vice Chair	n/a	No current comments on Fed Funds.	n/a	
Voter	Board	Michael Barr	Fed Board - Vice Chair for Supervision	n/a	No current comments on Fed Funds.	n/a	
Voter	Board	Christopher Waller	Fed Board - Member	4/14/23	"I believe there's still work to do."	Speech, Financial Stabilization and Macroeconomic Stabilization, Two Tools for Two Problems, 4/14/23	Rate Not Mentioned
Voter	Board	Lisa Cook	Fed Board - Member	4/21/23	"Currently, with the federal funds rate target near 5 percent, I am looking at what rate will be sufficiently restrictive to bring inflation down to 2 percent, over time."	Speech: Important Questions for Economic Research, 4/21/23	Rate Not Mentioned
Voter	Board	Philip Jefferson	Fed Board - Member	n/a	No current comments on Fed Funds.	n/a	
Voter	Board	Michelle Bowman	Fed Board - Member	2/17/23	"We'll have to continue to raise the federal funds rate until we see a lot more progress."	Speech, Tennessee Bankers Association Credit Conference, 2/17/23	Rate Not Mentioned
	District 1	Susan M. Collins	Boston Fed - President	4/3/23	"Perhaps one more increase might be sufficiently tight and then holding for some time."	Interview, Marketplace Morning Report, 4/3/23	Rate Not Mentioned
	District 2	John Williams	NY Fed - President	5/9/23	"I will be particularly focused on assessing the evolution of credit conditions and their effects on the outlook for growth, employment, and inflation."	Speech, This is the Way, 5/9/23	Between 5.00-5.25% (4/11/23)
Voter	District 3	Patrick Harker	Philadelphia Fed - President	4/20/23	"I anticipate that some additional tightening may be needed to ensure policy is restrictive enough to support both pillars of our dual mandate."	Speech, Understanding Monetary Policy Through the Housing Channel, 4/20/23	Above 5.00% (4/11/23)
	District 4	Loretta Mester	Cleveland Fed - President	4/20/23	"I anticipate that monetary policy will need to move somewhat further into restrictive territory this year, with the fed funds rate moving above 5 percent."	Speech, Progress and Prudence, An Update on the Economy and Monetary Policy, 4/20/23	Above 5.00% (4/20/23)
	District 5	Tom Barkin	Richmond Fed - President	4/12/23	"I don't have a view that you find some particular number that's the perfect <i>(Fed Funds)</i> number."	Interview, CNBC, 4/12/23	Rate Not Mentioned
	District 6	Raphael Bostic	Atlanta Fed - President	4/18/23	Interview Question: Are you still thinking one and done when it comes to a May interest rate increase? "One, for sure, that's my baseline for this year." After May? "My baseline is to hold."	Interview: CNBC, 4/18/23	5.25% (4/18/23)
Voter	District 7	Austan Goolsbee	Chicago Fed - President	5/8/23	"Well, like I say, we're more than a month away from the next FOMC meeting. I don't think we can decide what we should do with rates now."	Interview: Yahoo Finance, 5/8/23	Rate Not Mentioned
	District 8	James Bullard	St. Louis Fed - President	5/5/23	"I am willing to be data dependent and not prejudge ... It is impressive that we moved above the 5% benchmark."	Interview, Economic Club of Minnesota, 5/5/23	Little Higher than 5.00% (4/3/23)
Voter	District 9	Neel Kashkari	Minneapolis Fed - President	3/26/23	"Now, on one hand, such strains could then bring down inflation. So we have to do less work with the federal funds rate to bring the economy into balance."	Interview, CBS Face the Nation, 3/26/23	Rate Not Mentioned
	District 10	Esther George <i>(Retired)</i>	Kansas City Fed - President	n/a	No current comments on Fed Funds.	n/a	
Voter	District 11	Lorie Logan	Dallas Fed - President	2/14/23	"I anticipate we will need to continue gradually raising the fed funds rate."	Speech, Restoring Price Stability, 2/14/23	Rate Not Mentioned
	District 12	Mary Daly	San Francisco Fed - President	4/12/23	"We're at a point now where ... we don't expect to continue to raise rates up every meeting."	Speech, Calibrating Policy in an Uncertain Time 4/12/23	Rate Not Mentioned

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