

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

Prior to the March banking crisis, Neel Kashkari talked about a 5.40% terminal rate, which would mean a rate hike in June. Thursday, Kashkari outlined a potential rate cut scenario.

- [Kashkari](#): "If the markets are right that inflation is going to fall pretty quickly, then one might imagine interest rates normalizing ... it really depends on how imbedded is the high inflation that we're seeing and how quickly is that inflation going to come back down to our two percent target."

Inflation has yet to fall quickly. Flat would be more representative, with a 6-month range between 4.8% and 4.6% (Core PCE, the Fed's preferred measurement). April's PCE numbers will post May 26th.

In general, Fed Officials are expecting a slow return to inflation's 2% target. Earlier this week John Williams offered an updated inflation forecast.

- [Williams](#): "Because of the lag between policy actions and their effects, it will take time for the FOMC's actions to restore balance to the economy and return inflation to our 2 percent target. I expect inflation to decline to around 3-1/4 percent this year, before returning to our longer-run goal of 2 percent over the next two years."

Who's right about inflation, the markets or the Fed?

A research paper (Romer & Romer, Federal Reserve Information and the Behavior of Interest Rates, 2000) seems to confirm that the Fed's forecasts are better informed and more accurate than its commercial rivals.

The next FOMC will be June 13-14. With last Friday's job growth numbers and Wednesday's flat CPI, all eyes be on the May jobs report (out June 2nd). And even more importantly, the May CPI report (out June 13th), one-day before the FOMC wraps up.

Job growth of less than 100,000 (the new entrant replacement rate), would be an indicator of slowing demand, as would rapidly declining core inflation – currently 5.5% - sub 5.0% would be ideal.

Absent a meaningful change in those two metrics (representing lessening demand), the Fed would likely proceed with a rate hike.

[Neel Kashkari, Interview: The Marquette CEO Town Hall](#) 5/11/23
[John Williams, Speech: This is the Way](#) 5/9/23

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

MOST RECENT --- SPEECH, INTERVIEW, ESSAY	Date	TOPIC
Neel Kashkari Minneapolis Fed - President	5/11/23	Monetary Policy, Economy
Christopher Waller Fed Board - Member	5/11/23	Climate Change & Financials Stability
Tom Barkin Richmond Fed - President	5/10/23	Monetary Policy, Economy
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
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
Mary Daly San Francisco Fed - President	4/12/23	Monetary Policy, 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 <i>(Retired)</i> Kansas City Fed - President	1/20/23	Monetary Policy, Economy
Lael Brainard <i>(Resigned)</i> Fed Board - Vice Chair	1/19/23	Monetary Policy, Economy

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Fed Officials

Neel Kashkari, Interview, 5/11/23

If inflation falls “pretty quickly, then one might imagine interest rates normalizing.” Full transcript will be available mid-day Friday.

[Neel Kashkari, Interview: The Marquette CEO Town Hall 5/11/23](#)

Christopher Waller, Speech, 5/11/23

Talked about climate change and the different economic impacts, along with the risk to financial stability.

[Christopher Waller, Speech/Q&A: Climate Change and Financial Stability 5/11/23](#)

Tom Barkin, Interview, 5/10/23

Today’s CPI report was commented on, along with Fed Funds, jobs, inflation (in general) and a recession.

[Tom Barkin, Interview: Associate Press \(Transcript\) 5/10/23](#)

Research Reports

NY Fed

Bank deposit funding since the start of the current monetary policy tightening cycle through March 2023.

[NY Fed, Report: Bank Funding during the Current Monetary Policy Tightening Cycle 5/11/23](#)

Richmond Fed

Casino development was a rather successful economic development strategy for Atlantic County.

[Richmond Fed, Report: The Economic Impact of a Casino Monopoly, Evidence from Atlantic City 5/11/23](#)

KC Fed

Underlying inflation could ease to near 2 percent sometime next year, its path depends crucially on the evolution of future inflation.

[KC Fed, Report: Will High Underlying Inflation Persist? 5/10/23](#)

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 \(May, June, July\)](#)

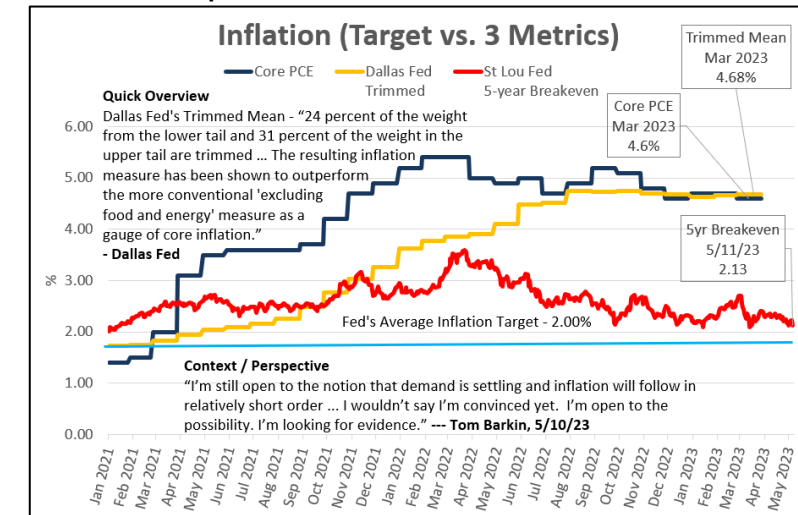
Rate Trends

Key Interest Rates	5/10/23	5/11/23	Change
Fed Funds Target Rate (FFTR)	5.25	5.25	↑ 0.25
BSBY - 1-month	5.10	5.10	↓ (0.00)
SOFR - Term Rate - 1-Month (CME Term SOFR)	5.06	5.06	↑ 0.00
US Treasury - 3-Month	5.24	5.20	↓ (0.04)
US Treasury - 2-Year	3.90	3.89	↓ (0.01)
US Treasury - 10-Year	3.43	3.39	↓ (0.04)
3-Month / 10-year Treasury Yield Curve Spread	(1.81)	(1.81)	0.00
2-Year / 10-year Treasury Yield Curve Spread	(0.47)	(0.50)	↓ (0.03)

Key Interest Rates	5/5/23	5/8/23	5/9/23	5/10/23	5/11/23	5-Day Change
Fed Funds Target Rate (FFTR)	5.25	5.25	5.25	5.25	5.25	0.00
BSBY - Overnight	4.952	5.097	5.152	5.153	5.154	↑ 0.203
BSBY - 1-month	5.084	5.094	5.097	5.099	5.098	↑ 0.014
SOFR - Overnight	5.060	5.060	5.060	5.060	0.000	0.000
SOFR - 30-Day Average	4.822	4.847	5.856	4.864	4.872	↑ 0.050
SOFR - Term Rate - 1-Month	5.050	5.055	5.054	5.057	5.059	↑ 0.009
US Treasury - 3-Month	5.26	5.31	5.29	5.24	5.20	↓ (0.06)
US Treasury - 2-Year	3.92	4.00	4.01	3.90	3.89	↓ (0.03)
US Treasury - 10-Year	3.44	3.52	3.53	3.43	3.39	↓ (0.05)
YC Spread - 3-Month / 10-year Treasury	(1.82)	(1.79)	(1.76)	(1.81)	(1.81)	↑ 0.01
YC Spread - 2-Year / 10-year Treasury	(0.48)	(0.48)	(0.48)	(0.47)	(0.50)	↓ (0.02)

[Fed Unfiltered, Daily Report: Rate Trends \(5/11/23\)](#)

Annotated Graphs



Annotated Graphs

Fed Official Report - and - Research Report

The image shows two screenshots of the Fed Unfiltered website. The left screenshot displays a list of reports and news items, including 'NY Fed Report: Bank Funding during the Current Monetary Policy Tightening Cycle' and 'Richmond Fed Report: The Economic Impact of a Casino Monopoly, Evidence from Atlantic City'. The right screenshot shows a detailed view of a report, likely the 'NY Fed Report', with sections for 'Key Takeaways', 'Background', and 'Analysis'.

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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	5/10/23	"If you don't see demand weakening, if you don't see inflation start to come down, then you do have to ask yourself whether the level of restrictiveness is sufficient or not."	Interview, AP, 5/10/23	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	5/11/23	"If the markets are right that inflation is going to fall pretty quickly, then one might imagine interest rates normalizing."	Interview, Marquette CEO Town Hall, 5/11/23	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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