F.O. COMMENTARY 5/12/23

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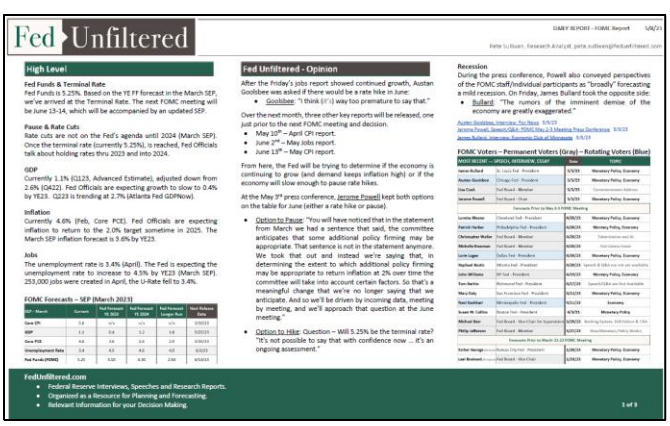
***Ded Official Commentary:** This report is organized by Fed Official and outlines the most recent forecasts from the 19 Fed Officials regarding these topics:*

Monetary Policy
- *Fed Funds*
- *Terminal Rate*
- *Pause*
- *Rate Cuts*
- *Balance Sheet*

Economy
- *Inflation*
- *Inflation Expectations*
- *Jobs*
- *GDP*
- *Recession*
- *Miscellaneous*

2023 Voter	Fed	Fed Official	Role
Voter	Board	Jerome Powell	Fed Board - Chair
Voter	Board	Lael Brainard *(Resigned)*	Fed Board - Vice Chair
Voter	Board	Michael Barr	Fed Board - Vice Chair for Supervision
Voter	Board	Christopher Waller	Fed Board - Member
Voter	Board	Lisa Cook	Fed Board - Member
Voter	Board	Philip Jefferson	Fed Board - Member
Voter	Board	Michelle Bowman	Fed Board - Member
	District 1	Susan M. Collins	Boston Fed - President
	District 2	John Williams	NY Fed - President
Voter	District 3	Patrick Harker	Philadelphia Fed - President
	District 4	Loretta Mester	Cleveland Fed - President
	District 5	Tom Barkin	Richmond Fed - President
	District 6	Raphael Bostic	Atlanta Fed - President
Voter	District 7	Austan Goolsbee	Chicago Fed - President
	District 8	James Bullard	St. Louis Fed - President
Voter	District 9	Neel Kashkari	Minneapolis Fed - President
	District 10	Esther George *(Retired)*	Kansas City Fed - President
Voter	District 11	Lorie Logan	Dallas Fed - President
	District 12	Mary Daly	San Francisco Fed - President

Daily Report - FOMC Report



Daily Report – FOMC Report
A summary of Fed Official's Commentary and Fed Funds Forecasts.

Jerome Powell

Fed Board - Chair

Fed Funds

- Speech: "Today, the FOMC raised its policy interest rate by 1/4 percentage point. Since early last year, we have raised interest rates by a total of 5 percentage points in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time. We are also continuing to reduce our securities holdings. Looking ahead, we will take a data-dependent approach in determining the extent to which additional policy firming may be appropriate."
- "In determining the extent to which additional policy firming may be appropriate to return inflation to 2 percent over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments. We will make that determination meeting by meeting, based on the totality of incoming data and their implications for the outlook for economic activity and inflation. And we are prepared to do more if greater monetary policy restraint is warranted."

- Q&A: "So policy is tight and you see that in interest sensitive activities. And you also begin to see it more and more in other activities. And if you put the credit tightening on top of that and the QT that's ongoing. I think you feel like we may not be far off or possibly even at that level."
- "So support for the 25 basis point rate increase was very strong across the board. I would say, a number of people, and you'll see this in the minutes, I don't want to try to do the headcount in real time, but people did talk about pausing but not so much at this meeting. I mean, there's a sense that we're much closer to the end of this than to the beginning. That as I mentioned, if you add up all the tightening that's going on through various channels. We feel like 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 that we listed, to determine whether there's more to do."

Jerome Powell, Speech/Q&A: FOMC May 2-3 Meeting Press Conference 5/3/23

Terminal Rate

- Is 5.25% the Terminal Rate? "So that's going to be an ongoing assessment. We're going to need data to accumulate on that. Not an assessment that we've made. That would mean we think we've reached that point and I just think it's not possible to say that with confidence now. But nonetheless, you will know that the summary of economic projections from the March meeting. Showed that

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at that point in time that the median participant thought that this (*5.25%*) was the appropriate level of the ultimate high level of rates. We don't know that, we'll revisit that at the June meeting. And we're just going to have to... Before we really declare that, I think we're going to have to see data accumulating and make that, as I mentioned, it's an ongoing assessment."
Jerome Powell, Speech/Q&A: FOMC May 2-3 Meeting Press Conference 5/3/23

Pause

- Pause: "A decision on a pause was not made today. You will have noticed that in the statement from March we had a sentence that said, the committee anticipates that some additional policy firming may be appropriate. That sentence is not in the statement anymore. We took that out and instead we're saying that, in determining the extent to which additional policy firming may be appropriate to return inflation at 2% over time the committee will take into account certain factors. So that's a meaningful change that we're no longer saying that we anticipate. And so we'll be driven by incoming data, meeting by meeting, and we'll approach that question at the June meeting."

- Pause and Hold: "The reason is that we, again, with our monetary policy, we're trying to reach and then stay at for an extended period, a level of a policy stance that's sufficiently restrictive to bring inflation down to 2% over time. And that's what we're trying to do with our tool. I think slowing down was the right move. I think it's enabled us to see more data and it will continue to do so. So we really have to balance, we always have to balance the risk of not doing enough and not getting inflation under control. Against the risk of maybe slowing down economic activity too much. And we thought that this rate hike along with the meaningful change in our policy statement was the right way to balance that."
  Jerome Powell, Speech/Q&A: FOMC May 2-3 Meeting Press Conference 5/3/23

Rate Cuts

- "Yeah, so we on the committee have a view that inflation is going to come down, not so quickly, but it'll take some time. And in that world, if that forecast is broadly right. It would not be appropriate to cut rates, and we won't cut rates. If you have a different forecast and markets have been from time to time pricing in quite rapid reductions in inflation, we'd factor that in, but that's not our forecast."
  Jerome Powell, Speech/Q&A: FOMC May 2-3 Meeting Press Conference 5/3/23

Balance Sheet

- "In terms of the target level of it, we haven't put a specific dollar number on it. The idea is we are in a regime of ample reserves. Reserves are basically deposits at the reserve banks. And when we get close to that level where we feel that reserves are ample, kind of where we were before the pandemic, then we'll slow down and we'll sort of test where we are. But it'll be a couple of years we think till we get to that level."
  Jerome Powell, Interview: The Economic Club of Washington D.C. 2/7/23

Inflation

- "The process of getting inflation back down to 2 percent has a long way to go and is likely to be bumpy."
  Jerome Powell, Speech/Q&A: FOMC Press Conference – March 2023 3/22/23

- Monetary Policy Lags: "We are very well aware of the lags with which monetary policy affects economic activity and inflation. Those are long and variable, and I would stress highly uncertain. There is nearly no agreement on exactly how long they are. But we know that slowing down the pace of rate hikes this year is a way for us to see more of those effects as they come in."
  Jerome Powell, Speech/Q&A: Semiannual Monetary Policy Report to Congress (House) 3/8/23

- Q&A: "We'll be watching very, very carefully though at the larger service sector, which is 56% of consumer spending and more than that of what of what's currently inflation. That's one thing, we'll be watching that very carefully. Also, we raised rates very quickly last year and we know that if monetary policy tightening policy has delayed effects, it takes a while for the full effects to be seen in economic activity and inflation."
- "Just quickly, at the end of last year, we saw a couple of very promising modest inflationary readings in November and December. But earlier this year, some of that improvement was revised away. In addition, we got a very strong reading on inflation in January. Also, a very strong jobs reading, also very strong retail sales. And so, as I pointed out in my testimony, we're looking at a reversal really of what we thought we were seeing, to some extent, a partial reversal."
- "I'll tell you it does. I guess it's not obvious how that is, but 2% inflation, to have people believe that inflation's going to go back to 2% really anchors inflation there because the evidence is, and the modern belief is that people's expectations about inflation actually have an effect on inflation. If you expect inflation to go up 5%, then it will. If everyone expects that because that's what businesses and households will be

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expecting, and it'll happen because they expect it."

- "So we think it's really important that we do stick to a 2% inflation target and not consider changing it. We're not going to do that. People will be better off if the whole question of high inflation is just not part of their lives. That's the definition of price stability, is if people live their lives without having to think about inflation all the time."

- Speech: "The data from January on employment, consumer spending, manufacturing production, and inflation have partly reversed the softening trends that we had seen in the data just a month ago. Some of this reversal likely reflects the unseasonably warm weather in January in much of the country. Still, the breadth of the reversal along with revisions to the previous quarter suggests that inflationary pressures are running higher than expected at the time of our previous Federal Open Market Committee (FOMC) meeting."
- "That said, there is little sign of disinflation thus far in the category of core services excluding housing, which accounts for more than half of core consumer expenditures. To restore price stability, we will need to see lower inflation in this sector, and there will very likely be some softening in labor market conditions."
Jerome Powell, Speech/Q&A: Semiannual Monetary Policy Report to Congress (Senate) 3/7/23

Inflation Expectations

- "Despite elevated inflation, longer-term inflation expectations appear to remain well anchored, as reflected in a broad range of surveys of households, businesses, and forecasters, as well as measures from financial markets."
Jerome Powell, Speech/Q&A: FOMC May 2-3 Meeting Press Conference 5/3/23

Jobs

- "We remain committed to bringing inflation back down to our 2 percent goal and to keep longer-term inflation expectations well anchored. Reducing inflation is likely to require a period of below-trend growth and some softening of labor market conditions."
Jerome Powell, Speech/Q&A: FOMC May 2-3 Meeting Press Conference 5/3/23

GDP

- "We remain committed to bringing inflation back down to our 2 percent goal and to keep longer-term inflation expectations well anchored. Reducing inflation is likely to require a period of below-trend growth and some softening of labor market conditions."
Jerome Powell, Speech/Q&A: FOMC May 2-3 Meeting Press Conference 5/3/23

Recession

- "So it's actually good that the staff and individual participants can have different perspectives. So broadly, the forecast was for a mild recession, and by that I would characterize it as one in which the rise in unemployment is smaller than has been typical in modern era recessions. I wouldn't want to characterize the staff's forecast for this meeting. We'll leave that to the minutes, but broadly similar to that."
Jerome Powell, Speech/Q&A: FOMC May 2-3 Meeting Press Conference 5/3/23

Miscellaneous

- Tightening Credit Standards: "So it does complicate the task of achieving a sufficiently restrictive stance (the tightening of credit standards due to the banking crisis). But I think conceptually though, we think that interest rates, in principle, we won't have to raise rates quite as high as we would have had this not happened. The extent of that is so hard to predict because we don't know how persistent these effects will be. We don't know how large they'll be and how long they'll take to be transmitted, but that's what we'll be watching carefully to find out."
Jerome Powell, Speech/Q&A: FOMC May 2-3 Meeting Press Conference 5/3/23

7

Fed Unfiltered Relevant Information for Your Decision Making

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Lael Brainard - Resigned

Fed Board - Vice Chair

Fed Funds

- No recent comments.

Terminal Rate

- No recent comments.

Pause

- No recent comments.

Rate Cuts

- No recent comments.

Balance Sheet

- No recent comments.

Inflation

- No recent comments.

Inflation Expectations

- No recent comments.

Jobs

- No recent comments.

GDP

- No recent comments.

Recession

- No recent comments.

Miscellaneous

- No recent comments.

F.O. COMMENTARY 5/12/23

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Michael Barr

Fed Board - Vice Chair of Supervision

Fed Funds

- No recent comments.

Terminal Rate

- "And I think it's fair to say that we're in restrictive territory. The question that we're working on is, is it sufficiently restrictive, how much more restrictive do we need to be in order to see the kinds of changes in the economy that will eventually lead to a reduction in inflation?"
  Michael Barr, Speech/Interview: Why Bank Capital Matters, 12/1/22
  https://fedunfiltered.com/michael-barr-speech-interview-why-bank-capital-matters/

Pause

- No recent comments.

Rate Cuts

- No recent comments.

Balance Sheet

- No recent comments.

Inflation

- No recent comments.

Inflation Expectations

- No recent comments.

Jobs

- No recent comments.

GDP

- No recent comments.

Recession

- No recent comments.

Miscellaneous

CRA Conference

- "For these brief remarks, I was asked to share my thoughts on the Community Reinvestment Act (CRA), a topic of great interest to all of you and to me as well."

- "As you are well aware, the Federal Reserve is working in partnership with the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) to release a final rule for the CRA. The CRA is one of the seminal laws enacted to address systemic inequities in access to credit and one of the best tools that we, as regulators, have to help ensure banks meet their affirmative obligation to serve the credit needs of the communities in which they do business, including low- and moderate-income communities."
  Michael Barr, Speech: Brief Remarks National Community Reinvestment Coalition Just Economy Conference 3/29/23

Banking System
Q&A

- "Beginning in November of 2021, the board... Sorry, the Federal Reserve Bank brought forward these problems to the bank *(SVB)* and they failed to address them in a timely way. That exposure led the firm to be highly vulnerable to a shock, and that shock came on the evening of Wednesday, March 8th, when it very belatedly attempted to adjust its liquidity position and reported losses on its available for sales securities. The market reaction to that was quite negative, and that eventually on Thursday sparked a depositor run."

- "Nonetheless, on Thursday morning, things appeared calm according to the bank's report to supervisors, but later Thursday afternoon, deposit outflows started and by Thursday evening we learned that more than $42 billion, as you had indicated, had rushed out of the bank."

- "On Friday morning, it appeared that it might be possible to meet the outflow that was expected the day before, but that morning the bank let us know that they expected the outflow to be vastly larger based on client requests and what was in the queue. A total of $100 billion was scheduled to go out the door that day. The bank did not have enough collateral to meet that, and therefore they were not able to actually meet their obligations to pay their depositors over the course of that day and they were shut down."

- "Yes, we intend to make our report fully public on May 1st, and that report will include... Normally, it's not our practice to include, but that report will include confidential supervisory information, such as the exam reports."

- "Senator, we haven't made a definitive conclusion on that. We're undertaking this review of SBV's failure in order to better assess whether it would be appropriate to change capital rules and liquidity rules for this size firm, for firms more generally. We're looking at that right now."

- "I anticipate the need to strengthen capital and liquidity standards for firms over a hundred billion dollars."

Statement

- "Our banking system is sound and resilient, with strong capital and liquidity. The Federal Reserve,

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working with the Treasury Department and the Federal Deposit Insurance Corporation (FDIC), took decisive actions to protect the U.S. economy and to strengthen public confidence in our banking system. These actions demonstrate that we are committed to ensuring that all deposits are safe. We will continue to closely monitor conditions in the banking system and are prepared to use all of our tools for any size institution, as needed, to keep the system safe and sound."

Michael Barr, Speech: Committee on Banking, Housing, and Urban Affairs (Senate), 3/27/23

Crypto Activities
Q&A

- "I do think this is a really critical moment for us and for the public and for Congress to take a step back and look at the risks and benefits of crypto asset related activity broadly. We have just gone through an experience that did not cause enormous disruption to our broader economy, but was quite disruptive to the crypto asset sector and in a way that revealed some of the problems that people had been highlighting about the sector for a long time like the lack of transparency, the fact that many entities engaged in this activity actively sought to avoid being supervised or regulated, the problem of fraud, misuse of customer funds, some of the hype associated with stablecoins and with crypto asset activities more broadly sort of revealed."

Speech

- "I'm here today to discuss what we have learned from the recent turmoil in the crypto sector and what role supervision and regulation should play in helping banks manage their engagement with the sector and the innovative technologies that support it. Despite recent events, we have not lost sight of the potential transformative effect that these technologies could have on our financial system. And we need to be careful lest regulation lock in the power of incumbents or stifle innovation. But the benefits of innovation can only be realized if appropriate guardrails are in place. I am going to talk about how we are working to provide clarity to the banks we supervise about what we have learned and about our supervisory expectations. I will wrap up by sharing some thoughts on stablecoins."

- "That gets me back to the central point of my remarks, which is the need to balance innovation with safeguards. Our goal is to create guardrails, while making room for innovation that can benefit consumers and the financial system more broadly. We are working with the other bank regulatory agencies to consider whether and how certain crypto-asset activity can be conducted in a manner that is consistent with safe and sound banking. We are also working toward providing additional clarity on our views of risks and effective risk management practices across a range of crypto-related activity. We will continue to be transparent with the banking sector and the public about our expectations. We will also work with the other agencies to align our approach to ensure that the same risks receive the same treatment. As we continue our efforts, we will work to support innovation by establishing the guardrails essential for sustainable, safe, and transparent markets."

Michael Barr, Speech: Regarding Crypto Related Activities 3/9/23

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Christopher Waller

Fed Board - Member

Fed Funds

- “This success *(providing liquidity to bank and guaranteeing deposits above $250,000)* allowed us to focus on our macroeconomic objectives of price stability and maximum employment when setting the policy rate at our March FOMC meeting. Against this backdrop, the FOMC raised the policy rate 25 basis points without causing significant stress to the financial system. To date, that decision has been validated.”

- “A significant tightening of credit conditions could obviate the need for some additional monetary policy tightening, but making such a judgement is difficult, especially in real time.”

- “The Atlanta Fed’s gross domestic product (GDP) growth tracker, which reflects the most up-to-date data, estimates that gross domestic product grew by 2.2 percent in the first quarter, in line with many private sector estimates and higher than most estimates of potential growth provided by FOMC participants. This growth would mean that, so far, tighter monetary policy and credit conditions are not doing much to restrain aggregate demand.”

- “Whether you measure inflation using the CPI or the Fed’s preferred measure of personal consumption expenditures, it is still much too high and so my job is not done. I interpret these data as indicating that we haven’t made much progress on our inflation goal, which leaves me at about the same place on the economic outlook that I was at the last FOMC meeting, and on the same path for monetary policy. Because financial conditions have not significantly tightened, the labor market continues to be strong and quite tight, and inflation is far above target, so monetary policy needs to be tightened further.”

- “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 … 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.”
  Christopher Waller, Speech/Q&A: Financial Stabilization and Macroeconomic Stabilization, Two Tools for Two Problems 4/14/23

Terminal Rate

- No recent comments.

Pause

- “Look, I would say if you look at the SEP, we're talking about maybe 75 more basis points of hikes to get to the terminal point. That means you're going to pause at some point in the first half of the year if it just carried straight out and you hit exactly your target. So the argument is just whether you should pause after three months of data or pause after six months of data. From the risk management side, I'm going to lean towards I need six months of data and not just three.”
  Christopher Waller, Speech: A Case for Cautious Optimism, 1/20/23
  https://fedunfiltered.com/christopher-waller-speech-a-case-for-cautious-optimism/

Rate Cuts

- No recent comments.

Balance Sheet

- “Now, our biggest concern with the balance sheet is just how far we want to shrink reserves. We're in this ample reserves regime. We don't know exactly what the least amount of reserves. We got shocked by that in 2019. So most likely what we do is we continue to shrink the balance sheet, reserves come down, we'll start slowing down as we approach maybe reserves being 10% to 11% of GDP and then we'll feel our way around to see where we should stop.”
- “So on the first point, I mean, there's been some Fed research that goes back a number of years and these numbers are really rough, don't bet money on them. But the rule of thumb was about for every trillion of QT, it's about the equivalent of reducing rates 25 basis points. So if you're going to shrink your balance sheet by $2 trillion, then you're somewhere in that 50% ballpark and if it's 2.5, maybe a little above 50 basis points.”
  Christopher Waller, Speech: A Case for Cautious Optimism, 1/20/23
  https://fedunfiltered.com/christopher-waller-speech-a-case-for-cautious-optimism/

Inflation

- “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 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.”
  Christopher Waller, Speech/Q&A: Financial Stabilization and Macroeconomic Stabilization, Two Tools for Two Problems 4/14/23

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- Monetary Policy Lags: “So I don't think there's a straight answer for like... It's always 12 months to 18 months. I think it's much shorter now myself. I think it tends to be 9 to 12 months. So I think we're seeing a lot of the impact for monetary policy coming through in the next quarter.”
Christopher Waller, Speech: A Case for Cautious Optimism, 1/20/23
https://fedunfiltered.com/christopher-waller-speech-a-case-for-cautious-optimism/

Inflation Expectations

- No recent comments.

Jobs

- No recent comments.

GDP

- No recent comments.

Recession

- “Like I said, I've been fairly optimistic about the soft landing story and so far, it seems to be holding up but there's always a recession risk ... Everybody thinks we're going to have a recession and I think we can just slow growth and it will achieve the same thing, we don't necessarily have to go into recession. Even those I talked to say it's a recession, I don't hear anybody thinking it's going to be severe. It's going to be mild and pretty short-lived. So that's the good news about all this is we can bring inflation down and the worse it happens is you have a mild, short recession. That's not too bad.”
Christopher Waller, Speech: A Case for Cautious Optimism, 1/20/23
https://fedunfiltered.com/christopher-waller-speech-a-case-for-cautious-optimism/

Miscellaneous

- “That brings us back to my original question: Are the financial risks stemming from climate change somehow different or more material such that we should give them special treatment? Or should our focus remain on monitoring and mitigating general financial system vulnerabilities, which can be affected by climate change over the long-term just like any number of other sources of risk? Before I answer, let me offer some definitions to make sure we’re all talking about the same things.”
- Conclusion: “So where does that leave us? I don’t see a need for special treatment for climate-related risks in our financial stability monitoring and policies. As policymakers, we must balance the broad set of risks we face, and we have a responsibility to prioritize using evidence and analysis. Based on what I’ve seen so far, I believe that placing an outsized focus on climate-related risks is not needed, and the Federal Reserve should focus on more near-term and material risks in keeping with our mandate.”
Christopher Waller, Speech/Q&A: Climate Change and Financial Stability 5/11/23

- “My topic tonight is “The Unstable Phillips Curve.”[1] This is not intended to be a deep academic analysis but rather to present some thoughts for discussion.”

- “What do economic data tell us about this relationship? We all know that if you simply plot inflation against the unemployment rate over the past 50 years, you get a blob. There does not appear to be any statistically significant correlation between the two series. In the 1980s and 1990s, so-called freshwater macroeconomists, who tended to work at universities in the middle of the country, argued the data showed that stories about nominal wage or price stickiness were simply wrong and we should quit talking about Phillips curves of any type. Diehard believers in the Phillips curve, the saltwater economists working on the East and West coasts, argued that the data blob was the result of unstable inflation expectations. If inflation expectations were not stable, then the Phillips curve would shift around in such a way that you could not observe the true relationship in the data.”

- “What would cause inflation expectations to be unstable? Kydland and Prescott (1977) provided an explanation, later popularized by Barro and Gordon (1983), that blamed the central bank. If the central bank’s promises to keep inflation low were not credible, then private agents’ inflation expectations would be different than what the central bank promised, which in turn would cause the Phillips curve to shift around. As a result, the idea that the central bank had to make credible promises to keep inflation low became a bedrock principle of central banking that holds to this day.”
Christopher Waller, Speech: The Unstable Phillips Curve
3/31/23

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Lisa Cook

Fed Board - Member

Fed Funds

- "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."
- "I am weighing the implications of stronger momentum in the economy apparent in economic indicators over the past few months against potential headwinds from recent banking developments. If tighter financing conditions are a significant headwind on the economy, the appropriate path of the federal funds rate may be lower than it would be in their absence. But if data show continued strength in the economy and slower disinflation, we may have more work to do."
  Lisa Cook, Speech: Important Questions for Economic Research 4/21/23

Terminal Rate

- No recent comments.

Pause

- No recent comments.

Rate Cuts

- No recent comments.

Balance Sheet

- No recent comments.

Inflation

- "The big question, however, is whether, and how quickly, inflation will continue its downward path toward our target of 2 percent. Much of the decline so far has been driven by the moderation in energy prices, and there is evidence that the path back to our low and stable inflation goal could be long and is likely to be uneven and bumpy."
  Lisa Cook, Speech: Important Questions for Economic Research 4/21/23

Inflation Expectations

- "Since the onset of the pandemic, medians of many surveys of longer-run measures suggest that inflation expectations are still within their pre-pandemic ranges, despite having come up a little. This is consistent with overall PCE price increases declining to a 2 percent pace. Market-based measures of inflation compensation beyond the near term, such as those derived from Treasury Inflation-Protected Securities, or TIPS, tell a similar story … Any de-anchoring of expectations would be a major concern, as it could cause the high inflation that we have been experiencing to prove more persistent."
  Lisa Cook, Speech: Thoughts on Inflation in a Supply-Constrained Economy, 1/6/23
  https://fedunfiltered.com/lisa-cook-speech-thoughts-on-inflation-in-a-supply-constrained-economy/

Jobs

- "There are some signs that this strong labor market is softening at the margin. Wage growth has moderated somewhat from the rates reached about a year ago. Indicators of hiring have slowed. Job openings, while still elevated, have declined in recent months. And the quits rate has retraced more than half of its pandemic-era rise, falling from a 3 percent peak in late 2021 to 2.6 percent in February."
  Lisa Cook, Speech: Important Questions for Economic Research 4/21/23

GDP

- No recent comments.

Recession

- Cook also said the strong job gain coupled with moderating wage growth last month had increased hopes for a "soft landing" scenario in which the central bank can tame inflation without triggering a recession. She added that she believes the central bank's work to bring inflation back to its 2% target "can be accomplished without a large increase in unemployment."
  Lisa Cook, Interview: Joint Center for Political and Economic Studies (Print Only) 2/8/23

Miscellaneous

Monetary Policy

- I approach all our monetary policy discussions with the same mindset:

- Be prepared to adjust the outlook based on incoming data while being humble about our ability to draw firm conclusions and thus not overreacting to a few data points.

- Seek out useful data sources, including high-frequency data that may better capture evolving economic developments.

- And follow a risk-management approach that considers not only the expected outcomes, but also various risks to the outlook.
  Lisa Cook, Speech: The U.S. Economic Outlook and Monetary Policy 3/31/23

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Philip Jefferson

Fed Board - Member

Fed Funds

- No recent comments.

Terminal Rate

- No recent comments.

Pause

- No recent comments.

Rate Cuts

- No recent comments.

Balance Sheet

- No recent comments.

Inflation

- "Since peaking last June, inflation has declined about 2.75 percentage points—with nearly all the step-down explained by falling energy prices and slowing food prices. The bad news is that there has been little progress on core inflation."

- "At its recent peak, total PCE inflation was 7 percent in June 2022. Currently, it is 4.2 percent in March 2023. Is inflation still too high? Yes. Has the current disinflation been uneven and slower than any of us would like? Yes."
  Philip Jefferson, Speech: On the Assessment of Current Monetary Policy 5/12/23

- "The economy has started to slow in an orderly fashion...I am of the view that inflation will start to come down and the economy will have the opportunity to continue to expand."
  Philip Jefferson, Speech: Atlanta Black Chambers 5/9/23

- "In summary, core goods inflation has started to come down. Several indicators suggest that housing services inflation is likely to come down in the coming months. There is more uncertainty surrounding inflation in core services excluding housing. Over time, we'll learn more about inflation dynamics in this sector."

- "Often, the FOMC must balance competing risks given its dual mandate of promoting maximum employment and stable prices. In the current context, there is, on the one hand, the risk that monetary policy will not be sufficiently restrictive to bring inflation back to 2 percent over time, and on the other hand there is a risk of policy being too restrictive and unnecessarily increasing the likelihood of recession. In the face of this latter risk, some economists argue that a higher inflation target is better than the Fed's current 2 percent target rate. Changing the FOMC's longer-run inflation objective, however, would introduce an additional risk by calling into question the FOMC's commitment to stabilizing inflation at any level because it might lead people to suspect that the target could be changed opportunistically in the future. If so, then these reputational costs will undermine the key benefits of well-anchored longer-run inflation expectations discussed above: an increased ability of monetary policy to fight economic downturns without sacrificing price stability. Moreover, if the purpose of a higher inflation target is to increase the ability of the central bank to deal with the severe recessions that follow financial crises, then a better strategic approach might be to rely on more vigorous supervisory and macroprudential policies that could help reduce the likelihood of such events. Further, seeking an inflation rate in the vicinity of 4 percent or higher would certainly stretch the meaning of "stable prices" in the Federal Reserve Act."
  Philip Jefferson, Speech: Recent Inflation and the Dual Mandate 2/27/23

Inflation Expectations

- No recent comments.

Jobs

- "The national unemployment rate was 3.6 percent in March 2022 when the current monetary policy tightening cycle began. Today, after 500 basis points of tightening of the policy rate, the national unemployment rate stands at a near-record low of 3.4 percent."
  Philip Jefferson, Speech: On the Assessment of Current Monetary Policy 5/12/23

GDP

- "Looking ahead, last quarter's growth in consumer spending seems unsustainable. Indeed, after rising very steeply in January 2023, consumer spending ticked down in February and was flat in March. Moreover, I expect slower consumer spending growth over the remainder of the year in response to tight financial conditions, depressed consumer sentiment, greater uncertainty, and declines in overall household wealth and excess savings."
  Philip Jefferson, Speech: On the Assessment of Current Monetary Policy 5/12/23

Recession

- No recent comments.

Miscellaneous

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- Banking Crisis: "It is reasonable to expect that recent stress events will lead banks to tighten credit standards further. Even though it is too early to tell, my view is that these incremental credit restraints will have a mild retardant effect on economic growth because the recent bank failures were isolated and addressed swiftly by aggressive macro- and micro-prudential policy actions.
- Philip Jefferson, Speech: On the Assessment of Current Monetary Policy 5/12/23

The Inner Workings of Monetary Policy

- "In conclusion, the Fed has a congressional mandate of maximum employment and price stability. The FOMC conducts monetary policy by setting the target range for the federal funds rate. Then, the Fed uses its monetary policy tools to implement the policy, which guides market interest rates toward the Fed's desired setting of policy. The Fed implements monetary policy using administered rates. The interest rate on reserve balances is the Fed's primary tool for adjusting the federal funds rate. The overnight reverse repurchase agreement facility is a supplementary tool that sets a floor for the federal funds rate. The discount rate serves as a ceiling for the federal funds rate. The Fed ensures that the banking system has ample reserves, using open market operations, if needed. Currently, we are tightening monetary policy. Changes in the federal funds rate are transmitted to other interest rates through arbitrage and by affecting investors' expectations. Changes in interest rates affect the decisions of consumers and businesses with a lag. Their decisions ultimately move the economy toward maximum employment and price stability."

  Philip Jefferson, Speech: Implementation and Transmission of Monetary Policy 3/27/23

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F.O. COMMENTARY 5/12/23

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Michelle Bowman

Fed Board - Member

Fed Funds

- "In my view, our policy stance is now restrictive, but whether it is sufficiently restrictive to bring inflation down remains uncertain. Some signs of slowing in aggregate demand, lower numbers of job openings and more modest gross domestic product (GDP) growth indicate that we have moved into restrictive territory. But inflation remains much too high, and measures of core inflation have remained persistently elevated, with declining unemployment and ongoing wage growth."

- "Should inflation remain high and the labor market remain tight, additional monetary policy tightening will likely be appropriate to attain a sufficiently restrictive stance of monetary policy to lower inflation over time. I also expect that our policy rate will need to remain sufficiently restrictive for some time to bring inflation down and create conditions that will support a sustainably strong labor market. Of course, the economic outlook is uncertain and our policy actions are not on a preset course. I will consider the incoming economic and financial data during the intermeeting period and its implications for the economic outlook in determining my view of the appropriate stance of monetary policy. I will look for signs of consistent evidence that inflation is on a downward path when considering future rate increases and at what point we will have achieved a sufficiently restrictive stance for the policy rate. In my view, the most recent CPI and employment reports have not provided consistent evidence that inflation is on a downward path, and I will continue to closely monitor the incoming data as I consider the appropriate stance of monetary policy going into our June meeting."
  Michelle Bowman, Speech: The Evolving Nature of Banking, Bank Culture, and Bank Runs 5/12/23

Terminal Rate

- No recent comments.

Pause

- Asked what she would need to see to favor pausing the tightening campaign, Bowman said it would be "a consistent decline in inflation."
  Michelle Bowman, Interview: Tennessee Bankers Association Credit Conference 2/17/23

Rate Cuts

- No recent comments.

Balance Sheet

- No recent comments.

Inflation

- "I don't think we're seeing what we need to be seeing, especially with inflation, those numbers have been jumping around a little bit. We were seeing some progress in lowering inflation at the end of last year, but some of the data that we're seeing early this year is not tracking with consistently lowering inflation in a way that I would like to see."
  Michelle Bowman, Interview: Tennessee Bankers Association Credit Conference 2/17/23

Inflation Expectations

- No recent comments.

Jobs

- "It is likely that as a part of this process, labor markets will soften somewhat before we bring inflation back to our 2 percent goal. While the effects of monetary policy tightening on the job market have generally been limited so far, slowing the economy will likely mean that job creation also slows. And if there are unforeseen shocks to the economy, growth may slow further. It's important to keep in mind that there are costs and risks to tightening policy to lower inflation, but I see the costs and risks of allowing inflation to persist as far greater. These dynamics make the difficult decisions facing the FOMC even more challenging, but it is absolutely necessary that the Committee achieves our goal of price stability."
  Michelle Bowman, Speech: Brief Remarks on the Economy and Bank Supervision, 1/10/23
  https://fedunfiltered.com/michelle-bowman-speech-brief-remarks-on-the-economy-and-bank-supervision/

GDP

- No recent comments.

Recession

- No recent comments.

Miscellaneous

- Banking: "When I talk to bankers, they had an expectation from probably last summer that they would begin to start to be more selective with their credit and their investments and offerings of lending opportunities. And I think that's continued. I think there's some expectation that we might see some slowing in economic activity and economic growth."
  Michelle Bowman, Speech/Q&A: Fed Listens Event hosted by The Federal Reserve Bank of Dallas 4/20/23

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- CBDC: "There are two threshold questions that a policymaker needs to ask before any decision to move forward with a CBDC. First, what problem is the policymaker trying to solve, and is a CBDC a potential solution? Second, what features and considerations—including unintended consequences—may a policymaker want to consider in deciding to design and adopt a CBDC? While it would be impossible for me to provide a comprehensive analysis of every issue surrounding CBDC, my goal today is to offer a perspective on these two threshold questions and to conclude with some thoughts about the imperative for future research on CBDCs and the potential future of CBDCs in the United States."

  Michelle Bowman, Speech/Q&A: Considerations for a Central Bank Digital Currency 4/18/23

- U.S. Banking System: "In my view, right-sizing regulatory requirements, improving transparency, and supporting regulatory approaches that support new banks are important tools to promote healthy competition and reduce unintended consequences. We need a viable pipeline for the creation of new banks in the United States, and there are troubling indications that we are falling short on this front, with a continued decline in the number of banks in the United States, the continued interest in charter strip applications, and the ongoing shift of traditional bank activities into shadow banks."
- "While de novo bank formation may not be a top-of-mind issue for policymakers as we continue to deal with the recent bank failures, it remains an important issue. As policymakers consider the regulatory and supervisory framework in the U.S. banking system and consider specific adjustments to address identified shortcomings, we should also take into account the impact of incremental additional regulatory changes not only on de novo bank formation, but also on credit availability, competition, and the financial system."

  Michelle Bowman, Speech: The Consequences of Fewer Banks in the U.S. Banking System 4/14/23

- Episodes of Financial Market Disruption: "Finally, while it is important to consider the design of central bank tools to address future episodes of severe financial market dysfunction, it is also important for central banks and other agencies to ensure that regulations and market oversight foster prudent financial institution behavior and resiliency in core financial markets. Doing so can increase the ability of private markets and institutions to function during times of stress and reduce the likelihood of future market interventions by the central bank."

  Michelle Bowman, Speech: Panel on 'Design Issues for Central Bank Facilities in the Future' 3/3/23

- Banking Innovation: "Today, I will address three issues related to innovation. First, I will briefly discuss how bank regulation and supervision can best support responsible innovation. Second, I will touch on the unique challenges that apply to smaller and community banks pursuing innovation. Finally, I will mention a few key actions that the federal banking regulators have taken to date, and how I think about future regulatory and supervisory actions to support innovation."
- Conclusion: "Innovation has long been a high priority for banks, and I expect it will continue to be a key issue for the future. New technologies have created significant opportunities for banks to become more efficient and competitive and to provide improved products and services for customers. While innovation brings new opportunities, it also introduces additional risks."
- "But a transparent regulatory posture for these activities can help banks of all sizes embrace new technologies, to the benefit of their customers and the broader economy. The specific innovations I mentioned today only scratch the surface of the technologies and innovations that banks are exploring, which also include the use of artificial intelligence and machine learning; efforts to develop faster payments, clearing, and settlement technologies; and many others. For all areas of innovation that banks are interested in pursuing, regulators should continue to prioritize timely, clear, and transparent guidance."

  Michelle Bowman, Speech: The Innovation Imperative, Modernizing Traditional Banking 3/14/23

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Susan M. Collins

Boston Fed President

Fed Funds

- “I do think that the recent stresses are quite likely to cause some financial tightening. And that’s something that I factor in as I think about what appropriate monetary policy is.”

- “Some banks may choose to increase their liquidity a bit, perhaps, tightening conditions for credit. And that would help to slow the economy. And of course, that’s exactly what the Fed is doing, as we work hard to bring inflation down.”

- “Well, in March, we just released our summary of economic projections, my view at the time, and this was of course, just last week, was that perhaps one more increase might be sufficiently tight and then holding for some time. But I want to emphasize that I don’t make decisions in advance. There’ll be new information that we receive between now and the next meeting, which is in May.”
  Susan M. Collins, Interview: Marketplace Morning Report 4/3/23

Terminal Rate

- No recent comments.

Pause

- “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.”
  Susan M. Collins, Speech: Remarks on the Outlook, Monetary Policy, and Supporting a Vibrant Economy 3/30/23

Rate Cuts

- No recent comments.

Balance Sheet

- No recent comments.

Inflation

- “So let me start by just very quickly saying what is in the SEP, the Summary of Economic Projections, it just came out last week and the median does give a sense of what the overall committee thinks, and in my view is quite similar to my outlook. And that has the inflation coming down by the end of the year to something in the range of 3.6%, perhaps by the end of 2024 by two and a half, 2.6%, somewhere in there and then close to the 2% target by 2025.”
  Susan M. Collins, Speech: Remarks on the Outlook, Monetary Policy, and Supporting a Vibrant Economy 3/30/23

Inflation Expectations

- “If inflation expectations do become unanchored, that certainly makes it more difficult because it influences wage decisions and all kinds of other things.”
  Susan M. Collins, Speech: Remarks on the Outlook, Monetary Policy, and Supporting a Vibrant Economy 3/30/23

Jobs

- “And then I'll just end by noting the labor market. I think many of us had expected that labor markets would be a bit less hot, that they would've cooled a bit at this point, and we're still seeing quite a bit of strength and those wage pressures are key to an important part of the persistent inflation.”
- “And I do think that without some increase in unemployment, it's going to be very difficult to bring wage inflation down in a way that's consistent with restoring price stability.”
  Susan M. Collins, Speech: Remarks on the Outlook, Monetary Policy, and Supporting a Vibrant Economy 3/30/23

GDP

- No recent comments.

Recession

- “It's also why I mention whenever I speak about this that I really do see a pathway for bringing inflation down that doesn't require a substantial downturn, some increase in unemployment, which is at historically low levels right now, I do think is going to be part of the path, but I don't think we need a significant downturn.”
  Susan M. Collins, Speech: Remarks on the Outlook, Monetary Policy, and Supporting a Vibrant Economy 3/30/23

Miscellaneous

- No recent comments.

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John Williams

NY Fed President

Fed Funds

- "The FOMC also said that the "Committee will closely monitor incoming information and assess the implications for monetary policy." I will be particularly focused on assessing the evolution of credit conditions and their effects on the outlook for growth, employment, and inflation."
  John Williams, Speech: This is the Way 5/9/23

Terminal Rate

- "The vast majority of my colleagues put in the funds rate ending this year between 5 and 5 ½ percent, with quite a few at 5 to 5 ¼ – 5 ¼ to 5 ½, I mean, my view is that still seems a very reasonable view of what we'll need to do this year in order to get the supply and demand in balance, and bring inflation down."
  John Williams, Interview: WSJ 2/8/23

Pause

- No recent comments.

Rate Cuts

- "Well, I think the real issue is if inflation comes down, we're going to need eventually, not soon, but if inflation comes down, we'll need to lower the interest rates because otherwise real or inflation adjusted interest rates will go up. So if you look in the economic projections that we put out in March, at least the median dot has the funds rate going down in next year and the year after. I think that's really primarily driven by the fact that inflation is coming down and we'll be moving monetary policy to a more normal stance."
  John Williams, Interview: Yahoo Finance 4/11/23

Balance Sheet

- "Well, I really think that the shrinking of our balance sheet, the QT as you mentioned, is obviously something that has been going on for quite some time, it's going very smoothly. I don't see that as the main area of focus for thinking about monetary policy. Really, the primary instrument of monetary policy is the federal funds target and we can adjust what we do with that to best achieve our goals. Again, I think bringing the size of our balance sheet down is working really well. It's not something that I would see as something we would need to adjust anytime soon."
  John Williams, Interview: Yahoo Finance 4/11/23

Inflation

- "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."
- "But the most persistent area of inflation is in core services excluding housing, which has been running around 4-1/2 percent since last August. This is driven by a continued imbalance in overall supply and demand, and it will take the longest to bring down."
- 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.
  John Williams, Speech: This is the Way 5/9/23

Inflation Expectations

- "Indeed, throughout this period of high inflation, one of the bright spots is that various measures of longer-run inflation expectations have remained remarkably well anchored and consistent with our 2 percent target."
  John Williams, Speech: Attaining and Maintaining Price Stability 4/19/23

- "One aspect olation that's important for achieving and sustaining price stability is the anchoring of inflation expectations. Various measures of longer-run inflation expectations have remained well anchored at levels consistent with our 2 percent goal."
- "Inflation expectations for the next few years, which increased as inflation was rising, have come down in recent months. The New York Fed's monthly Survey of Consumer Expectations showed that three-year-ahead inflation expectations are back to where they were in early 2021, and one-year-ahead expectations have decreased sharply."
  John Williams, Speech: Achieving Balance Amid Uncertainty 3/31/23

Jobs

- And I anticipate slow growth will continue to cool the labor market, with unemployment gradually rising to about 4 to 4-1/2 percent over the next year.
  John Williams, Speech: This is the Way 5/9/23

GDP

- As tighter monetary policy continues to take effect, I expect real GDP to grow modestly this year, with growth then picking up somewhat next year.
  John Williams, Speech: This is the Way 5/9/23

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Recession

- "We're clearly not in a recession right now, based on the data. It is an economy that is growing, but only modestly, and I think it's an economy that's really seeing the imbalance issues between supply and demand diminishing, and inflation coming down."
- "Obviously, where we're seeing the signs of the economy slowing is in the housing sector, and now in manufacturing. Consumer spending has been jumping around a bit month and month, quarter to quarter. It's actually been more up until this latest data, more resilient perhaps than I was expecting. So, we just have to go through all that data, and really see the underlying strength in the economy. That data doesn't change my basic view that we're going to have an economy growing modestly over the next year."
  John Williams, Interview: Bloomberg Markets, 12/16/22
  https://fedunfiltered.com/john-williams-interview-bloomberg-markets/

Miscellaneous

- "Nonetheless, these developments (*the banking crisis*) will likely lead to some tightening in credit conditions for households and businesses, which in turn will weigh on spending. It is still too early to gauge the magnitude and duration of these effects, and I will be closely monitoring the evolution of credit conditions and their potential effects on the economy."
  John Williams, Speech: Attaining and Maintaining Price Stability
  4/19/23

- Banking Crisis: "It clearly could be a negative shock *(Banking Crisis)* to the economy and cause the economy to slow further. But right now we're not seeing those effects. And actually, the banking system is really stabilized. And so it's pretty much focused on the two banks that failed. So I guess right now I'm not thinking that it would be such a big negative on the outlook, but we're going to have to watch the data carefully."
  John Williams, Interview: Yahoo Finance 4/11/23

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F.O. COMMENTARY 5/12/23

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Patrick Harker

Philadelphia Fed President

Fed Funds

- "I anticipate that some additional tightening may be needed to ensure policy is restrictive enough to support both pillars of our dual mandate. Once we reach that point, which should happen this year, I expect that we will hold rates in place and let monetary policy do its work."
  Patrick Harker, Speech: Understanding Monetary Policy Through the Housing Channel 4/20/23

Terminal Rate

- No recent comments.

Pause

- "At some point this year, I expect that the policy rate will be restrictive enough that we will hold rates in place to let monetary policy do its work. We are also shrinking our balance sheet, which is removing a significant amount of accommodation in and of itself."
  Patrick Harker, Speech: Economic Outlook, 1/20/23
  https://fedunfiltered.com/patrick-harker-speech-economic-outlook/

Rate Cuts

- But after that, with inflation on track to ease and head back to 2% over the next couple of years, Harker said the door would open to the possibility of the Fed cutting rates at some point, simply to keep monetary policy from becoming more restrictive of economic activity. "I don't think that'll happen this year," but in 2024 "we could start to see" movement downward in the federal funds rate that will likely be gradual in nature, Harker said.
  Patrick Harker, Interview: Reuters (transcript not available, print only) 2/10/23

Balance Sheet

- No recent comments.

Inflation

- "I expect inflation to continue declining, landing somewhere between 3 percent and 3.5 percent this year, before falling to 2.5 percent in 2024, and leveling out at our 2 percent target in 2025."
  Patrick Harker, Speech: Understanding Monetary Policy Through the Housing Channel 4/20/23

Inflation Expectations

- No recent comments.

Jobs

- "Unemployment is also likely to tick up slightly, hitting around 4.4 percent this year."
  Patrick Harker, Speech: Understanding Monetary Policy Through the Housing Channel 4/20/23

GDP

- "I project that we will see modest growth this year, with real GDP coming in a bit below 1 percent."
  Patrick Harker, Speech: Understanding Monetary Policy Through the Housing Channel 4/20/23

Recession

- No recent comments.

Miscellaneous

- Banking Crisis: "It will take some time to evaluate how recent events may impact overall economic activity and inflation. I expect to see tighter credit conditions for households and businesses that may slow economic activity and hiring, but the full extent is still unclear."
  Patrick Harker, Speech: Understanding Monetary Policy Through the Housing Channel 4/20/23

F.O. COMMENTARY 5/12/23

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Loretta Mester

Cleveland Fed President

Fed Funds

- "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 and the real fed funds rate staying in positive territory for some time. Precisely how much higher the federal funds rate will need to go from here and for how long policy will need to remain restrictive will depend on economic and financial developments."
- "We are much closer to the end of the tightening journey than the beginning."

- "In terms of the balance sheet, by allowing assets to run off the balance sheet, that also, right, is tightening financial conditions."
- "So we're seeing the effects of both the tightening of the Fed funds rate, the increase in interest rates and that reduction in the balance sheet on the economy. And that also figures into our policy goals, but our active tool is the Fed funds rate, that policy rate. We set in motion, last year, that reduction in the balance sheet according to a plan, and we're continuing to follow that plan. And 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

- "As I said, even before the March tensions in the industry, banking industry, the banks were pulling back and tightening credit standards, and that's kind of normal, that's the normal flow of monetary policy tightening throughout the economy, that's one of the ways it gets pushed out into the economy. So that's fine, that's kind of what we are intending in terms of making sure that we can slow down demand so that we get a better balance between demand and supply and reduce those price pressures. And now we're assessing whether the tensions in the banking industry have augmented that, and that's part of what the evaluation will be as we go in to the next FOMC meeting, in terms of calibrating monetary policy."

- "I think we're going to have to go a little bit higher from where we are, a little bit more and then hold there for some time in order to make sure that inflation is on that sustainable downward path to 2%."

- "Well, I see a little more inflation pressures than the median in the SEP *(5.10%)* … so I probably am a little bit higher than the median dot … My own view is that we'll have to go above 5%, but exactly how much, precisely how much, and precisely how long it has to stay above, we've got to be open to allowing the economy to tell us."
  Loretta Mester, Interview: Bloomberg TV 4/5/23

- "Precisely how much higher the federal funds rate will need to go from here and for how long policy will need to remain restrictive will depend on how much inflation and inflation expectations are moving down, and that will depend on how much demand is slowing, supply challenges are being resolved, and price pressures are easing. The FOMC indicated in its March statement that it anticipates that some additional policy firming may be appropriate. In determining the extent of future increases in the target range, the FOMC will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments."
- "Even before the recent stresses, banks had begun to tighten their credit standards. Credit has become less available as interest rates have risen. This is the typical way in which monetary policy tightening transmits to the broader economy. The recent tensions in the banking system could well result in banks further tightening their credit standards, and households and businesses may become more cautious in their spending. Directionally, we know that credit conditions are likely going to be somewhat tighter, and we will be assessing the magnitude and duration of these effects on the economic outlook to help us calibrate the appropriate path of monetary policy going forward."
  Loretta Mester, Speech: A Diligent and Judicious Return to Price Stability 4/4/23

Terminal Rate

- Question: What was your terminal rate projection in December? Mester: "I was above 5%."
  Loretta Mester, Interview: WSJ Print 2/24/23

Pause

- "Well, I think we're entering a period now where the Fed policy, the funds rate is just entering a restrictive stance. So that's the way I like to think about it. We moved rates up very expeditiously, we did four 75 basis point raises in a row, we're up 375 basis points on the year. And right now we're at a point where we are going to enter a restrictive stance of policy. At that point, I think it makes sense that we can slow down a bit, the pace of increases. We're still going to have to raise the funds rate, but were at a reasonable point now where we can now be very deliberate in setting monetary policy to get back to price stability and be more judicious in balancing the risks so as to

F.O. COMMENTARY 5/12/23

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minimize that pain of that journey back to price stability. And so, that's how I see the next phase of policy."
Loretta Mester, Interview: CNBC, 11/21/22
https://fedunfiltered.com/loretta-mester-interview-cnbc-6/

Rate Cuts

- "Because of their *(policymaker)* view of how the economy is expected to evolve, and how inflation is expected to evolve, no one thinks that it'll be appropriate to move the funds rate down in 2023 … And of course … we acknowledge that if the economy evolves differently than we're projecting, policy might have to be different as well."
Loretta Mester, Interview: Associated Press, 1/18/23
https://fedunfiltered.com/loretta-mester-interview-associated-press/

Balance Sheet

- "In terms of the balance sheet, by allowing assets to run off the balance sheet, that also, right, is tightening financial conditions."
- "So we're seeing the effects of both the tightening of the Fed funds rate, the increase in interest rates and that reduction in the balance sheet on the economy. And that also figures into our policy goals, but our active tool is the Fed funds rate, that policy rate. We set in motion, last year, that reduction in the balance sheet according to a plan, and we're continuing to follow that plan. And 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

Inflation

- "I expect to see meaningful improvement in inflation this year, with inflation moving down to about 3-3/4 percent this year, continuing to improve next year, and reaching our 2 percent goal in 2025.

- "Price stability is critical for the long-run health of the labor market, the overall economy, and the stability of the financial system. So it would be a mistake to declare victory before the job is done. Here, I am reminded of the words of former Fed Chair Paul Volcker when he fought inflation in the 1980s: "…failure to carry through now in the fight on inflation will only make any subsequent effort more difficult, at much greater risk to the economy."
Loretta Mester, Speech: Progress and Prudence, An Update on the Economy and Monetary Policy 4/20/23

Inflation Expectations

- "Anchored inflation expectations are highly desirable; they mean that the public finds the longer-run inflation target credible and that fluctuations in inflation will eventually die out. But during a period of very high inflation, the stability of inflation expectations cannot be taken for granted: the real world does not always cooperate with our modeling assumptions."
- "Over the past two years, short-term inflation expectations moved up with gasoline and food prices, which tend to have an outsized effect on households' inflation expectations. As energy prices have fallen in recent months, short-term inflation expectations have eased, although they remain well above their prepandemic levels. This also raises the possibility that if energy and food prices rise again, short-run inflation expectations could also rise again. Most measures of medium- and longer-term expectations are also somewhat above their pre-pandemic levels, but they appear to be reasonably well anchored at levels consistent with our 2 percent target."
- "If inflation expectations were to become unanchored, their influence would offset the effect of any beneficial change in the resource gap. Monetary policy would then have to act more forcefully, and the return to price stability would be more painful and costly."
Loretta Mester, Speech: Comments on "Managing Disinflation", 2/24/23

Jobs

- "I expect that employment growth will continue to slow and the unemployment rate, which is very low, will begin to rise, to about 4-1/2 to 4-3/4 percent by the end of the year."
Loretta Mester, Speech: Progress and Prudence, An Update on the Economy and Monetary Policy 4/20/23

GDP

- "Output growth will likely be well below trend this year and pick up a bit next year."
Loretta Mester, Speech: Progress and Prudence, An Update on the Economy and Monetary Policy 4/20/23

Recession

- Soft Landing: "The soft landing of course is what we're aiming for, which is we get inflation on a sustainable downward path of 2%. And I like to explain to people, that doesn't mean we keep raising interest rates until inflation gets back to 2% because we know that our policy actions affect the economy. It takes time for them to feed through. But we do need to get to a point where we're convinced that inflation is moving back down to 2%. In this environment, I do think we're going to have very slow growth."

- Recession: "But the economy has been very resilient and the labor market has been very strong. So my anticipation would be even if that were to happen (*a recession*), it wouldn't be a sharp

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downturn, which is the hard landing and that we will get inflation meaningfully down this year and continuing to fall over the next couple of years. We probably will see some rise in the unemployment rate, but it's very, very low now and unsustainable low when you think about where we need to get back to have that healthy balance in the economy."
Loretta Mester, Speech: Progress and Prudence, An Update on the Economy and Monetary Policy 4/20/23

Miscellaneous

- "The stresses experienced in the banking system in March have eased, but the Fed continues to carefully monitor conditions and is prepared to take further steps as necessary to ensure financial stability."
  Loretta Mester, Speech: A Diligent and Judicious Return to Price Stability **4/4/23**

Fed Unfiltered Relevant Information for Your Decision Making

F.O. COMMENTARY 5/12/23

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Tom Barkin

Richmond Fed President

Fed Funds

- "Just the timing of the round means we're going to get between meetings, two CPIs, two job reports, in addition to all the normal monthly spending things. So it made me comfortable with data dependence, so that's what I think the message of the last statement is in my mind, is that — it's explicitly not — explicitly not a pause or even necessarily a peak, it gives you the optionality to do more, if you need to do it. And also the optionality to wait if waiting is appropriate. So there's a lot of data coming in. There's a lot of uncertainty and I think it gives me and us the time to take all that in."

- "My hypothesis is that we're at restrictive levels … 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."

Tom Barkin, Interview: Associate Press (Transcript) 5/10/23

Terminal Rate

- No recent comments.

Pause

- "Well, I've certainly taken a lot of time and tried to dig into the 60's, 70's and 80's and try to figure out what I can learn from them. And the thing I learned is, you just can't declare victory too soon. If you back off while inflation is still elevated, it'll come back ever higher the next time. Meaning you've gotta do even more damage to take control of it. I'm not in favor of backing off too soon. I want to see inflation and median and trimmed mean, compellingly headed back to our two percent target. I think that's the lesson of the 70's and that's what you want us to do."

Tom Barkin, Interview: Fox Business, 1/17/23
https://fedunfiltered.com/tom-barkin-interview-fox-business-2/

- Question: Can you see the rate going up and staying high in 2023 and 2024?
- "Sure. It depends a lot on what we're seeing on the inflation side."

Tom Barkin, Interview: Bloomberg TV, 11/28/22
https://fedunfiltered.com/tom-barkin-interview-bloomberg-tv/

Rate Cuts

- "We have forecasted additional rate increases and the SEP has made clear that we don't anticipate rate cuts this year."

Tom Barkin, Speech: What's Keeping Inflation Elevated? 3/3/23

Balance Sheet

- Regarding QT: "I think we did a bunch of actions we thought important at the time in terms of stimulus and supporting the markets back in 2020. We're now trying to unwind that. I think our primary tool is the rate tool. It's not the balance sheet tool. The objective is to unwind the balance sheet expansion that we did and do it in a way that doesn't change any focus on our primary tool, which is the rate tool. You guys still seem to be focused on the rate tool, so I think so far so good."
- "If you believe that adding to the balance sheet does something, then you've got to believe that shrinking the balance sheet does something else. So I've got no question about that. I do believe that on both the expansion side and the reduction side."

Tom Barkin, Interview: Bloomberg TV 2/14/23

Inflation

- Inflation – 5/10/23's CPI Report: "Inflation remains, I'd call it stubbornly high. The headline and the core were about as expected, but if you just look through any one report, and you focus on the core, which is probably the best place to look, month after month after month, it's coming in at .4%, .5%, or .3%, where you'd really like it to be moving down and in concert with our target."

Tom Barkin, Interview: Associate Press (Transcript) 5/10/23

- Inflation: "I think the core story now is the demand story. And what it says is, the combination of waning fiscal, eroding consumer balance sheets, or the lag effect of rate moves and credit tightening coming in the banking system, is going to bring demand down and consequently inflation. And I think that's a plausible story."
- "I'm still open to the notion that demand is settling and inflation will follow in relatively short order, but I'm really quite attuned — I wouldn't say I'm convinced yet. I'm open to the possibility. I'm looking for evidence and the reports coming over the next period of time."

Tom Barkin, Interview: Associate Press (Transcript) 5/10/23

Inflation Expectations

- "And I'd also point to inflation expectations. While they remain well anchored on average, there's been enough movement under the surface to warrant caution."

Tom Barkin, Speech: What's Keeping Inflation Elevated? 3/3/23

Jobs

- "I think what's interesting is, for the most part, people being laid off are professionals, support and overhead. They're actually not laying off a lot of frontline people … it's easy to imagine that this might be a different sort of softening labor market, one that hits college graduates more than the last one, which hit the less educated."

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- "The unemployment rate might not be quite as good a metric because this group doesn't file for unemployment at the same propensity as an entry-level worker. The impact on spending might not be the same because this group often has savings, that support their spending while they're in job transition. So it's just interesting to think about."
  Tom Barkin, Interview: Associate Press (Transcript) 5/10/23

GDP

- No recent comments.

Recession

- "It's easy for me to imagine a slowdown that turns to negative GDP growth, this year or next year. But we'll have to see. It's also conceivable that it wouldn't and so I think that's the challenge you get when you go out two or three or four quarters, is a lot of these outside events are going to dictate it more than, if you will, the model-based estimates of what lagged rate moves due to GDP and spending."
  Tom Barkin, Interview: Associate Press (Transcript) 5/10/23

Miscellaneous

- No recent comments.

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Raphael Bostic

Atlanta Fed President

Fed Funds

- 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. I've been at this point for quite some time. The economy still has a lot of momentum and is performing quite strongly and inflation remains too high. Before I came down to the studio here, I took a look at our underlying inflation dashboard and by pretty much every measure that you look at, current inflation is more than double what our target is. So there's still more work to be done and I'm ready to do it.”

- After May? “My baseline is to hold. I think that after the next move, if the data come in as I expect, we will be able to hold there for quite some time. Now, I've been saying for a while, I don't think that inflation is going to come down quickly. It's going to take some effort and a resoluteness on our part. So once we get to that point, I don't have us really doing anything but monitoring the economy for the rest of this year and into 2024.”
  Raphael Bostic, Interview: CNBC 4/18/23

Terminal Rate

- No recent comments.

Pause

- “Once we get to a number, I want, if the economy continues to proceed as we expect, just to stay there and hold it. And for me, my projection I have is holding it well into 2024 because I think that we should just wait and see. And I don't think there's a lot of urgency. There will not be a lot of urgency once we get to that level to step back.”
  Raphael Bostic, Interview: CNBC, 1/6/23
  https://fedunfiltered.com/raphael-bostic-interview-cnbc-4/

Rate Cuts

- No recent comments.

Balance Sheet

- No recent comments.

Inflation

- “Part of this is really about the pace of inflations returning back to our 2% target. I don't think that's going to happen as quickly as some of the markets do, and it seems that the question is who's right on this? … I don't see it coming down below maybe three and a half. And three and a half is still well above our 2% target.”
  Raphael Bostic, Interview: CNBC 4/18/23

Inflation Expectations

- “What we know is that when people expect inflation to be high, they do and act differently. And so we need people to have confidence that we're going to get this under control so they make the best long-term investments that give them the skills and the talents that allow this economy to be maximally productive.”
  Raphael Bostic, Interview: NPR 3/24/23

Jobs

- “Well, I think that unemployment is going to rise a little bit. We have to do our summary of economic projections submissions. In my submission for this year, I have unemployment moving from about 3.7% to 4%. So, a slight increase, but not huge numbers. And I think it's just going to be the byproduct of the economy slowing down. At some point, we'll absorb all of those excess jobs, and the slowdown will take in some of the jobs that are currently out there.”
  Raphael Bostic, Interview: CNBC, 1/6/23
  https://fedunfiltered.com/raphael-bostic-interview-cnbc-4/

GDP

- No recent comments.

Recession

- “Look, throughout this entire pandemic experience in the last two or three years, the economy has continued to be extremely resilient and it's continued to perform better than pretty much everyone expected … Part of the challenge we have right now is that we have an economy that aggregate demand is extremely strong and we're going to have to see some weakening, but we just have not seen weakening happen at very large increments.”
  Raphael Bostic, Interview: CNBC 4/18/23

Miscellaneous

- No recent comments.

Fed Unfiltered Relevant Information for Your Decision Making

F.O. COMMENTARY 5/12/23

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Austan Goolsbee

Chicago Fed President

Fed Funds

- "In this last meeting, I felt that, if you looked at the conditions, you had yet to see that the credit tightening had -- the credit crunch was not on the minds of people yet. And so the -- two meetings ago, we had outlined a plan, taking somewhat into account that credit was going to be tightening, and it made sense to stay on that plan. I think now you're starting to get more information that the credit squeeze is beginning. And so we -- let's be on alert and be prudent and patient in our decisions."
  Austan Goolsbee, Interview: PBS News Hour 5/10/23

- "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. 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."
  Austan Goolsbee, Interview: Yahoo Finance 5/8/23

- A Hike in June? "I think way too premature to say that."
  Austan Goolsbee, Interview: Fox News 5/5/23

Terminal Rate

- No recent comments.

Pause

- No recent comments.

Rate Cuts

- "There is a branch of the financial dominance school of thought that takes the argument even further. They argue that if there's a chance of significant financial stress, we should preemptively cut rates to reduce the odds of it."

- "I think we should be careful with that logic, though, given our trouble getting inflation down in recent years—not to mention the dangers of setting a precedent for giving in any time the market throws a tantrum. The principal defense for avoiding or mitigating financial stress should be supervisory and regulatory tools that are aimed at ensuring the safety and soundness of both individual institutions and the financial system more broadly."
  Austan Goolsbee, Speech: Monetary Policy in Moments of Financial Uncertainty 4/11/23

Balance Sheet

- "There's a balance to be had on any quantitative tightening or easing where putting that on autopilot so people are not thinking that, at every meeting they're debating exactly how many billions of tightening or easing should be done, I think it's healthy to get on a rule and a path. Now if there are really major adjustments that happen in the economy, of course you can revisit that."
  Austan Goolsbee, Interview: Yahoo Finance 5/8/23

Inflation

- "Inflation has not been going as well. That's been, let's call it the weakest part of the economy. And I think we have to just keep getting more price information across these categories before we can say with comfort we are on a path back to normal."
  Austan Goolsbee, Interview: PBS News Hour 5/10/23

Inflation Expectations

- No recent comments.

Jobs

- No recent comments.

GDP

- No recent comments.

Recession

- "When you're in a rate-rising environment like this, and you have had bank stresses like the ones we have seen with Silicon Valley Bank and others, and you add on top of it wild cards like fights about the debt ceiling and stuff like that. You cannot rule out that recession is a possibility."
  Austan Goolsbee, Interview: PBS News Hour 5/10/23

- "I think you have to say that recession is a possibility. You've got a lot of major forecasters forecasting a mild recession already for the second half of the year. So I think that that's got to be on everyone's mind."
  Austan Goolsbee, Interview: Yahoo Finance 5/8/23

Miscellaneous

- Credit Conditions: "We have to figure out how much of the work of monetary policy is getting done already through the credit conditions."
  Austan Goolsbee, Interview: Yahoo Finance 5/8/23

- Credit Conditions: "We know that credit conditions like the ones we're seeing now, in the past have been correlated with recessions, credit crunches, kind of have done the tightening work of monetary policy. So in our phrase, as you know, data dependents. We got to be data dependent. We got to watch a lot of indicators, not just the unemployment."

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- "And so that's what we all got to keep an eye on that part of credit conditions because as I view it, that's doing the work of monetary policy. If you feel like the economy's still very hot, the unemployment rate is 3.4%, the whatever tightening that you're going to need to do, it's got to be taking into account of what the banking system's impact."
  Austan Goolsbee, Interview: Fox News 5/5/23

- Interesting Fact: "Our vault has billions of dollars of cash in it. That doesn't look as cool as you would think, though. I thought it would be stacks and stacks of money piled up to the ceiling. Actually, the money is bound in small bundles wrapped in plastic baggies and sitting on pushcarts. It almost looks like a high school storage room or something. Still, if you look at a dollar bill in your wallet and it has a letter "G" displayed in the circle, it's from us—the Seventh District."
  Austan Goolsbee, Speech: The Need for a Ground-Level View of the Economy 2/28/23

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F.O. COMMENTARY 5/12/23

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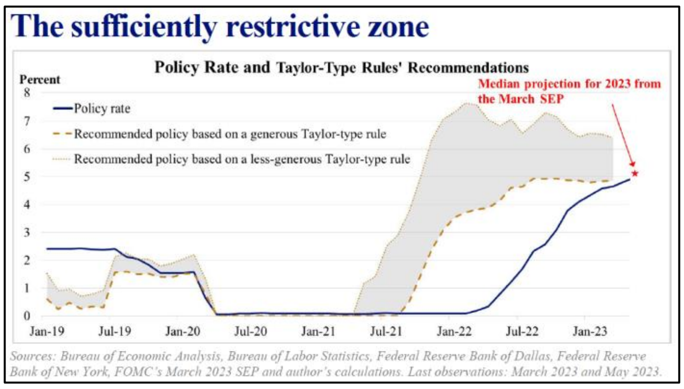
James Bullard

St. Louis Fed President

Fed Funds

- "Monetary policy is now at the low end of what is arguably sufficiently restrictive given current macroeconomic conditions."
    - Bullard's sufficiently restrictive zone is between 4.9% and 6.4%.



- Regarding the 25bps Hike in May: "I did support it. I thought it was a good next step for the committee … basically the preponderance of the committee wanted to be above 5%. So, this move puts us above 5% … I think it's appropriate to put the policy rate at a higher level so we can try to get the inflation problem behind us sooner and get back to the 2%."
- "I am willing to be data dependant and not prejudge … it is impressive that we moved above the 5% benchmark.

  James Bullard, Interview: Economic Club of Minnesota 5/5/23

Terminal Rate

- "We're almost into a zone that you could call restrictive. We're not quite there yet … And I think you'd probably have to get over 5% to say with a straight face that we've got the right level of the policy rate that will continue to push inflation down during 2023."

  James Bullard, Interview: WSJ Live, 1/18/23
  https://fedunfiltered.com/james-bullard-interview-wsj-live/

Pause

- "I think we probably have to stay there all during 2023 and into 2024, given the historical behavior of core PC inflation or Dallas Fed trim, mean inflation. They will come down, I think. That's my baseline. But they probably won't come down quite as fast as markets would like and probably the Fed would like. Everybody would like them to come out rather quickly. But that isn't the historical behavior of these time series."

  James Bullard, Interview: MarketWatch, 11/28/22
  https://fedunfiltered.com/james-bullard-interview-marketwatch-print-only/

Rate Cuts

- No recent comments.

Balance Sheet

- "As far as the exact impact on rates, I don't think anybody knows exactly what these are. If you look at the empirical evidence in the literature, it has a very wide range, distressingly wide range of estimates about what the true effects are. For those that want to argue that the policy rate does not to need to go as high, they might point to the quantitative tightening policy as a supplemental tightening policy that might be helping us. Others might say that the effects coming through that channel are relatively weak and therefore we have to do more with the policy rate and that's definitely a live area for policy debate."

  James Bullard, Interview: Wisconsin Banker's Association, 1/12/23
  https://fedunfiltered.com/james-bullard-interview-wisconsin-bankers-association/

Inflation

- "The fiscal stimulus is receding, and monetary policy has been adjusted rapidly in the last year to better align with traditional central bank strategy. Accordingly, the prospects for continued disinflation are good but not guaranteed."

- "So far, core PCE inflation has declined only modestly from the peak levels observed last year."

- "The spirit of the macroeconomic policy response to the pandemic was to err on the side of too much rather than too little. This could be thought of as risking a high-inflation regime, as the monetary authority did not attempt to offset the inflationary impulse unleashed by the fiscal authority."

  James Bullard, Speech: The Monetary-Fiscal Policy Mix and Central Bank Strategy 5/12/23

- "I think we can bring inflation down without having... And just allowing the labor market to come back to normal, not go beyond coming back to normal. So that's why I've got the more of a soft landing scenario in my head maybe than others. Sometimes you hear pundits say, "Well, until unemployment goes to very high levels or whatever, you won't get inflation to come down." I don't think that's the right analysis."

  James Bullard, Interview: Economic Club of Minnesota 5/5/23

Inflation Expectations

- "An encouraging sign that the switch to pre-pandemic fiscal-monetary policy is working comes from market-based inflation expectations. These expectations were near 2% in the first quarter of 2021, before any inflation had appeared or was widely expected. After moving higher in the last two years, these expectations have now returned to levels consistent with 2% inflation."

  James Bullard, Speech: The Monetary-Fiscal Policy Mix and Central Bank Strategy 5/12/23

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Jobs

- "Maybe just comment on today's jobs report, which was stronger than expected again. So this is 12 reports in a row that Wall Street has been surprised to the upside. Guys, maybe you should change your model a little bit? That's 12 in a row. That's never happened as far as the chart I saw today anyway. So, I think unemployment lower today than it was a year ago, and the lowest since 1969 … So, this is a very tight labor market. It's going to take a while to cool it off."
  James Bullard, Interview: Economic Club of Minnesota 5/5/23

- "I put 80% probability that the financial stress will decline and then make that your baseline forecast. I think that's for low growth, but growth, continued pretty strong labor market and inflation coming down. That's got 80% probability … the other branch where financial stress gets worse, then we'll have to bring up more macroprudential tools and it'll be a stressful situation and all bets are off in that situation. The problem with Wall Street is they've got too much probability on that branch *(financial stress gets worse)* and not enough probability on the other branch *(financial stress gets better),* so I think they're going to reprice to the slow growth scenario."
  James Bullard, Interview: Bloomberg TV 4/3/23

GDP

- "I would say strong labor markets, that conventional wisdom is strong labor markets mean consumption is going to hold up pretty well. That's 70% of the economy says it's going to do pretty well. So that gives me confidence about my prediction about continued slow growth for the US economy."
  James Bullard, Interview: Economic Club of Minnesota 5/5/23

- "I put 80% probability that the financial stress will decline and then make that your baseline forecast. I think that's for low growth, but growth, continued pretty strong labor market and inflation coming down. That's got 80% probability … the other branch where financial stress gets worse, then we'll have to bring up more macroprudential tools and it'll be a stressful situation and all bets are off in that situation. The problem with Wall Street is they've got too much probability on that branch *(financial stress gets worse)* and not enough probability on the other branch *(financial stress gets better),* so I think they're going to reprice to the slow growth scenario."
  James Bullard, Interview: Bloomberg TV 4/3/23

Recession

- "We live with recession probabilities every day and things happen, shocks happen. And yes, the economy could go into recession, but that's not the base case. I think the base case is slow growth, probably somewhat softer labor market and declining inflation. So, that would be the soft landing scenario. And I think all of you should put most of your weight on that scenario."
- "The rumors of the imminent demise of the economy are greatly exaggerated, I guess is what I would say."
  James Bullard, Interview: Economic Club of Minnesota 5/5/23

- "Wall Street's very engaged in the idea there's going to be a recession in six months or something, but that isn't really the way you would read an expansion like this … the labor market just seems very, very strong. And the conventional wisdom is that if you have a strong labor market that feeds into strong consumption ... and that's a big chunk of the economy ... it doesn't seem like the moment to be predicting that you have a recession in the second half of 2023."
- "If you were really going to get a major financial crisis out of this, that index (*St. Louis Fed Financial Stress Index*) would spike up to a four or five. It's zero now. So it doesn't look, as of this moment, like too much is happening."
- Recession forecasts "are coming from models that put too much weight on the idea that interest rates went up quickly," Bullard said. "What about the strong labor market? What about that feeding consumption? ... What about the pandemic money still to be spent off, both at the state and local level and at the individual household level?"
  James Bullard, Interview: Reuters (print) 4/18/23

Miscellaneous

- Banking Crisis: "These developments have led to volatile trading in banking equities and increases in measures of financial stress."
- "Closely related measures suggest that financial conditions have become tighter."
- "However, financial stress and financial conditions metrics as of today remain low compared with levels observed during the Global Financial Crisis (GFC) of 2007-2009 or during the onset of the pandemic in March-April 2020."
  James Bullard, Speech: Financial Stress and the Economy **4/6/23**

- Banking Crisis: re macroprudential tools that you can use in that kind of situation to calm things down, that seems to have worked so far. You never know if there's further things happening, but if there are, we can react with macroprudential tools again."
- "Then, on the monetary policy side, we can still proceed to flight inflation and get inflation down during 2023 and 2024 back to target, so I think this idea that you can walk and chew gum at the same time, you've got the macroprudential tools for financial stress and you've got monetary policy to fight inflation. We can do both, as long as the financial stress doesn't morph into something much larger, and so far so good. But knock on wood, you're never sure what's going to be around the corner."
  James Bullard, Interview: Bloomberg TV **4/3/23**

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- Indexes: "Furthermore, some variables are better reflections of the stance of monetary policy than others, which may result in a composite measure that doesn't have the ideal mix. In particular, equity prices are known to be quite volatile and, at times, can move financial conditions indexes substantially. And yet, equity markets can reflect an overvaluation or undervaluation at a moment in time. Therefore, I find that channel less useful in trying to assess the impact of monetary policy."

- "While the STLFSI (St. Louis Fed Financial Stress Index) remained at a low value through early March, financial stress has been on the rise since then in the wake of recent bank failures and turmoil.[3] The macroprudential policy response to these events has been swift and appropriate. Regulatory authorities have used some of the tools that were developed or first utilized in response to the 2007-09 financial crisis in order to limit the damage to the macroeconomy, and they're ready to take additional action if necessary."

- "In my view, continued appropriate macroprudential policy can contain financial stress in the current environment, while appropriate monetary policy can continue to put downward pressure on inflation."
  James Bullard, Essay: What Do Financial Conditions Indexes Tell Us? 3/28/23

- Interest Rates: "It's true that the financial stress can be harrowing. Things happen very quickly. Information is flying around in financial markets, but financial stress also reduces the level of interest rates typically, and lower rates in turn tend to be a bullish factor for the macroeconomy … There is some self correction going on here that this would mitigate some of the negative macroeconomic fallout that might otherwise occur in the aftermath of a period of financial stress. So there's kind of a natural mechanism at play here … In particular the 10 years were a real benchmark yield and is down about 50 basis points. That might help us a little bit going forward. So a little bit of a silver lining."
  James Bullard, Speech: Financial Stress and the Current Macroeconomic Outlook 3/24/23

- Forecasts: "Well, the economy's growing faster than we thought. Labor market performance does remain robust. Unemployment's below its longer run natural level. So you would think what would happen is the economy, GDP growth would moderate from what it was in the second half of 2022, it would now come down, and unemployment, which is really, really low right now would probably go up to a more natural level that would balance supply and demand and that would be a natural forecast to make. And that is consistent with what the fed's been saying."

- "And then I think we can lock in the disinflationary trend that we have. We can lock that in with further rate increases even though we have ongoing growth and strong labor markets. But we're keeping inflation expectations low, which I think will help us to eventually get back to a 2% inflation target."
  James Bullard, Speech: Disinflation, Progress and Prospects, Greater Jackson Chamber 2/16/23

F.O. COMMENTARY 5/12/23

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Neel Kashkari

Minneapolis Fed President

Fed Funds

- "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 and we're watching it very carefully."

- "If inflation is going to stay high... We've been surprised how high it got. We've been surprised how persistent it has been. It's coming down. There's some evidence it's coming down. But so far, it's been pretty darn persistent. That means we're going to have to keep at it for an extended period of time."
  Neel Kashkari, Interview: The Marquette CEO Town Hall 5/11/23

- "Well, I've penciled in going as high as 5.4%. I'm a little bit on the higher end than some of my colleagues. Ultimately, the committee will deliberate look at the data and make the call. But somewhere above 5%."
  Neel Kashkari, Interview: CNN 2/7/23

Terminal Rate

- "So, in December when I jotted down my dots, I dot jotted down that I thought we would get rates up to 5.4% and then hold them there for an extended period of time. And I was on the more hawkish distribution amongst my colleagues. I was not the most but I was on the more hawkish side."
  Neel Kashkari, Interview: Sioux Falls Business CEO Event 3/1/23

Pause

- No recent comments.

Rate Cuts

- "The third step, as I see it, is to consider cutting rates only once we are convinced inflation is well on its way back down to 2 percent. Given the experience of the 1970s, the mistake the FOMC must avoid is to cut rates prematurely and then have inflation flare back up again. That would be a costly error, so the move to cut rates should only be taken once we are convinced that we have truly defeated inflation."
  Neel Kashkari, Essay: Why We Missed On Inflation, and Implications for Monetary Policy Going Forward, 1/4/23
  https://fedunfiltered.com/neel-kashkari-essay-why-we-missed-on-inflation-and-implications-for-monetary-policy-going-forward/

Balance Sheet

- "So, our balance sheet got really big during the pandemic as a source of first providing some financial stability to markets, but also providing stimulus to the economy. And now, we're doing what people call QT. We're shedding our balance sheet, letting it run off and shrinking it actually very aggressively about twice as fast as we shrunk it after the last financial crisis. And so, that is also putting some upward pressure on long-term treasury rates."
- "So, you can think of it this way. There are two ways right now that we are tapping the breaks in the economy. One way is we're raising this federal funds rate where we just talked about it, whether a 25 or 50 basis points at the next meeting. Then second way is we're letting our balance sheet shrink and that should be putting some upper pressure on long-term rates. Those are both ways that we are, in effect, reducing stimulus or tapping the brakes in the economy. That's going to continue now for quite a while because our balance sheet is still quite large relative to where it needs to be."
  Neel Kashkari, Interview: Sioux Falls Business CEO Event 3/1/23

Inflation

- "I would see us getting somewhere in the middle threes, I hope by the end of this year, but on a nice solid path back down to 2% sometime hopefully over the course of the following year. But I don't know yet. And there's a lot of uncertainty."

- 2.0% Inflation Target: "So we don't realize it ends up woven into the fabric of our everyday decision making. If we all of a sudden change it and say, well, inflation's really high right now, it's around 5%, so let's just stop at three and a half and call it good. All of a sudden people are like, wait a second. They told me two. Now you're going to stop at three and a half? Well, maybe next time you're going to stop at four and then you're going to stop at five. And then maybe I just don't believe anything you're saying to me. And so there's a reasonable argument one could make in the long term, should it be two, should it be two and a half or something different? We could have that debate, but there's no way we can adjust this when we're missing our target right now because we would do enormous harm to the credibility of the institution."
  Neel Kashkari, Interview: Montana State University, Town Hall 4/11/23

Inflation Expectations

- "So, if you looked at the forward say 10 year inflation expectations, they have been anchored throughout the pandemic. They've just little tiny wiggles around that 10-year line. That's comforting because it means they've got a lot of confidence

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that we're going to do our jobs over a 10-year horizon."

- "Then short-term inflation expectations did rise quickly. They have fallen quite a bit."
- "So, we look at a lot of different indicators. Financial markets are not perfect. So, if you looked at the inflation expectations three years ago, financial markets also didn't see the high inflation coming. So, we pay attention to it but we don't take too much signal from it because markets can be wrong, too. And we were all wrong about this high-inflation shock at the same time."
  Neel Kashkari, Interview: Sioux Falls Business CEO Event 3/1/23

Jobs

- "It's hard to imagine that you're going to see very strong job growth while wage growth is moderating, and that's what I'm looking for. We need to see wage growth at 3% to be consistent with our 2% inflation target and 1% productivity growth. Wage growth has come down somewhat, but depending on your measure, it's still four, four and a half, even five on a 12-month basis. The job market and the services and wages are still very robust."
  Neel Kashkari, Interview: CNBC 2/7/23

GDP

- No recent comments.

Recession

- "We need to get inflation down and we have to get inflation back down to our 2% target because if we were to fail to do that, then your job prospects would be really harmed. You're right. It could be that our monetary policy actions and the tightening of credit conditions because of this banking stress leads to an economic downturn. That might even lead to a recession. It's possible that that would lead to recession, and that would probably make your job search a little bit harder if you're searching for a job in a recessionary period. As hard as that, that would be, and I'm not hoping for that, but as hard as that would be, it would be unambiguously worse if we failed to get inflation back down and people lose confidence that the Federal Reserve is going to do its job."
  Neel Kashkari, Interview: Montana State University, Town Hall 4/11/23

Miscellaneous

- One Possible Future: "So, what's going to happen when we get through this high inflation period and we get back to whatever normal is. If I had to guess today, I would tell you my guess is that normal looks like what normal looked like in 2018 and 2019 … low inflation, low interest rates, modest wage growth and decent economic growth."
  Neel Kashkari, Interview: The Marquette CEO Town Hall 5/11/23

- Banking Stresses: "How much of an imprint are those banking stresses having on the broader economy? If they have more of an imprint, then we have to do relatively less with our monetary policy tools. If they have less of an imprint, then the responsibility really is on the Federal Reserve to get inflation back down."
- Neel Kashkari, Interview: The Marquette CEO Town Hall 5/11/23

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F.O. COMMENTARY 5/12/23

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Esther George - Retired

KC Fed President

Fed Funds

- No recent comments.

Terminal Rate

- No recent comments.

Pause

- No recent comments.

Rate Cuts

- No recent comments.

Balance Sheet

- No recent comments.

Inflation

- No recent comments.

Inflation Expectations

- No recent comments.

Jobs

- No recent comments.

GDP

- No recent comments.

Recession

- No recent comments.

Miscellaneous

- No recent comments.

F.O. COMMENTARY 5/12/23

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Lorie Logan

Dallas Fed President

Fed Funds

- "My own view is that, given the risks, we shouldn't lock in on a peak interest rate or a precise path of rates. After raising rates at a historically rapid pace during 2022, the FOMC decided at our most recent meeting to increase rates by a more historically typical increment of a quarter percentage point. I anticipate we will need to continue gradually raising the fed funds rate until we see convincing evidence that inflation is on track to return to our 2 percent target in a sustainable and timely way."
- "Ultimately, conditions need to be sufficiently restrictive to restore price stability. We must remain prepared to continue rate increases for a longer period than previously anticipated, if such a path is necessary to respond to changes in the economic outlook or to offset any undesired easing in conditions. And even after we have enough evidence that we don't need to raise rates at some future meeting, we'll need to remain flexible and tighten further if changes in the economic outlook or financial conditions call for it."

  Lorie Logan, Speech: Restoring Price Stability 2/14/23

Terminal Rate

- No recent comments.

Pause

- No recent comments.

Rate Cuts

- No recent comments.

Balance Sheet

- No recent comments.

Inflation

- "Well, I've had the great pleasure of traveling across the district over the last nine months and held a number of sessions like these. And I think, Alfreda, I would say that they're definitely common themes in all of those discussions."
- "The first one of course is on everyone's mind and a high priority for us as policy makers, is inflation. Inflation is too high and far above our target."
- "And we heard a lot about that today, which is the labor markets more generally and just how tight they are. And that tightness in the labor market is contributing to the inflation dynamics. And so until we see some change in those underlying dynamics, those inflationary pressures will remain a concern."
- "And I think another topic that's part of that discussion, of course, is immigration and what the appropriate policies can be to really foster a labor market that's really going to be healthy and serve our businesses and our community."
- "To assess whether we have made enough progress, I've been watching three markers:
  - Whether there is further and sustained improvement in the inflation statistics.
  - Whether the economy is evolving more or less as forecasts predict.
  - Whether there is a clear change in the underlying factors—like the imbalance of supply and demand and the resulting very tight labor market—that have produced high inflation."
- "Over the past six weeks, I've also been closely watching the effects of stresses in the banking system—both on the macroeconomy and on local communities, especially here in Texas where small and midsize banks are so important. Smaller banks are particularly significant in small business, rural, middle-market, and commercial real estate lending. And to have a strong economy, we need a diverse, vibrant banking ecosystem."

  Lorie Logan, Speech/Q&A: Fed Listens Event hosted by The Federal Reserve Bank of Dallas 4/20/23

Inflation Expectations

- No recent comments.

Jobs

- "The labor market is important in its own right for monetary policy, given the FOMC's mandate to achieve both price stability and maximum employment. But in addition, because services prices depend substantially on labor costs, the outlook for sustainably returning inflation to 2 percent hinges in large part on what happens in the labor market."
- "Absent a dramatic rise in productivity, it seems likely that sustainably returning inflation to 2 percent will require substantially lower wage growth. That may take time … Wage pressures have moderated somewhat in the latest national reports on average hourly earnings and employment costs. I'd need to see a lot more data, though, to be convinced the labor market is no longer overheated … To achieve better balance, labor supply will have to increase, or labor demand will have to decrease."

  Lorie Logan, Speech: Restoring Price Stability 2/14/23

GDP

- No recent comments.

Recession

- No recent comments.

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Miscellaneous

- "That central problem is the first of three topics I'll address today. I'll then offer three guideposts that I believe should shape central bank interventions given this problem: transparency, backstop pricing and distinguishing support for market functioning from monetary accommodation. And finally, I'll assess our March 2020 operations in light of these guideposts and draw out some implications for market regulation and infrastructure and for the central bank toolkit."
  Lorie Logan, Speech: Preventing and Responding to Dysfunction in Core Markets 3/3/23

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F.O. COMMENTARY 5/12/23

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Mary Daly

SF Fed President

Fed Funds

- "Now that that job is done, that phase one is complete, now we can take smaller steps and you've seen us do that, moving to 50 then to 25. We're at a point now... Again, I'll direct you to the summary of economic projections. We're at a point now where we don't expect right now in our projections, the median, we don't expect to continue to raise rates up every meeting. There is a sense where we'll get it up to a level and then we'll wait."

- "How much credit tightening will ultimately occur is not yet known. What we do know is that tighter credit conditions translate into less spending and investment by households and businesses, resulting in a slower pace of economic growth. So we will need to monitor this impact carefully as we determine our own policy path."

- "Looking ahead, there are good reasons to think that policy may have to tighten more to bring inflation down. But there are also good reasons to think that the economy may continue to slow, even without additional policy adjustments."

- So, we will need to make decisions calibrated by data. Not just last week's data or last month's data, but all the data. Looking back and looking ahead as we navigate the uncertainty that surrounds us.
  Mary Daly, Speech: Calibrating Policy in an Uncertain Time
  4/12/23

Terminal Rate

- No recent comments.

Pause

- "And that's about all those things we mentioned. Restaurant meals, haircuts, business services, those have been stickier. And that's an area where my focus is really on I'm, I'm really focused on that because that also needs to slow down. Inflation needs to come down for us to really be confident that we're moving towards our price stability goal. So, that's what has to happen, that's what I'm looking at. But a little bit of up and down in inflation readings, I wouldn't be too worried about because transitions are always a little bumpy and the data being bumpy doesn't mean we're not on the right path."
  Mary Daly, Interview: Rebalancing the Economy with Kyla Scanlon … 2/24/23

Rate Cuts

- No recent comments.

Balance Sheet

- No recent comments.

Inflation

- "In March, which was the last time we did that, you saw inflation in that number, the median inflation forecast still being above 3%, which is my own forecast. It'll be a little bit above three."
  Mary Daly, Speech: Calibrating Policy in an Uncertain Time
  4/12/23

Inflation Expectations

- "Finally,—and this is at the forefront of my mind as a policymaker—there is the possibility that inflation expectations could change. To date, these expectations—especially in the longer run—have remained stable and well anchored near the Fed's 2 percent goal.20 In other words, so far, inflation psychology has not shifted and public faith in the Fed's ability to achieve its price stability mandate remains intact. But the longer inflation remains high, the more likely it is to undermine confidence. And once high inflation becomes embedded in public psychology, it is very hard to change."
  Mary Daly, Speech: Forward-Looking Policy in a Real-Time World … 3/4/23

Jobs

- "But I'm using that same rigor of analysis and applying it again and again, month after month, to the survey data to why people aren't coming back to work, to what they're thinking of. And I just don't see the recovery in labor supply that we have seen in previous expansions. So if you ask, "Why not," here's my leading things. Well, first of all, a lot of the loss of workers comes in the 55-plus group. And it's not just about retirements, it's about people not even coming back."
  Mary Daly, Speech: Forward-Looking Policy in a Real-Time World … 3/4/23

- "So I think the vacancies are going to play a large role, but I don't think it's going to be everything. And I also think it's not going to raise the unemployment rate, you know, to some really challenging level that is too much pain to tolerate. So that's why I put in an estimate of around 4.5-4.6. And that's what I expect to happen, given the rate of increases we've taken, the additional ones that I've planned, and then holding them there to bring the economy back into balance."
  Mary Daly, Interview: WSJ Live, 1/9/23
  https://fedunfiltered.com/mary-daly-interview-wsj-live/

GDP

- "I expect a slowdown, the growth to be well below our trend rate. That's going to feel like slow growth to people. We are going to feel like we're in a

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sluggish economy, though I absolutely anticipate that."
Mary Daly, Interview: American Enterprise Institute, 12/16/22
https://fedunfiltered.com/mary-daly-interview-american-enterprise-institute/

Recession

- "It means slowing the economy back to a more sustainable pace. It's going to feel different than it did last year, but my modal outlook is we don't have a recession, but we do have a substantial slowdown, and we transition to a place where we have something closer to 2% inflation over time."
  Mary Daly, Speech: Calibrating Policy in an Uncertain Time
  4/12/23

Miscellaneous

- No recent comments.

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