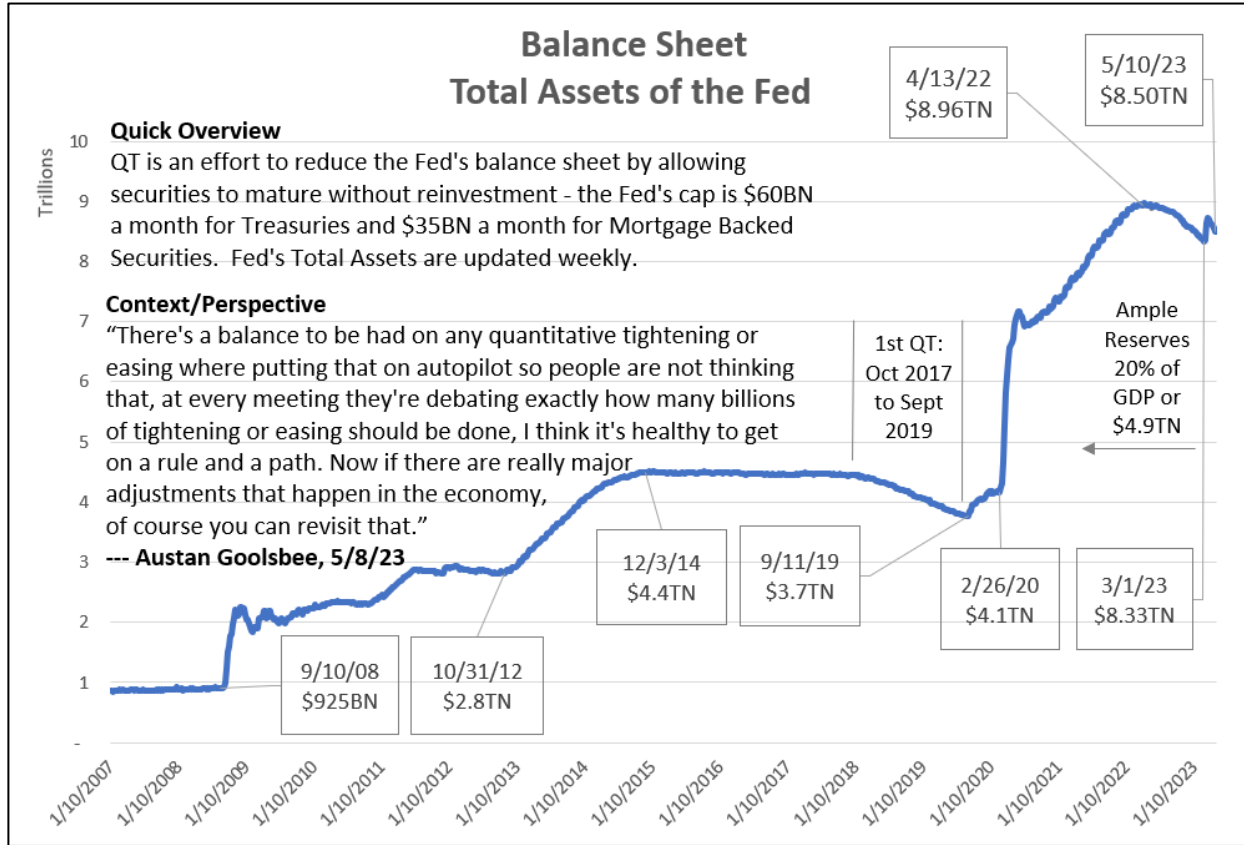


ANNOTATED GRAPHS – Balance Sheet



Daily Report - FOMC Report

High Level

Fed Funds & Terminal Rate
Fed Funds is 5.25%. Based on the YE FF Forecast in the March SEP, we've arrived at the Terminal Rate. The next FOMC meeting will be June 23-24, which will be accompanied by an updated SEP.

Pause & Rate Cuts
Rate cuts are not on the Fed's agenda until 2024 (March SEP). Once the terminal rate (currently 5.25%) is reached, Fed officials talk about holding rates thru 2023 and into 2024.

GDP
Currently 3.1% (Q123, Advanced Estimate), adjusted down from 2.6% (Q422). Fed Officials are expecting growth to slow to 0.4% by YE23. Q223 is trending at 2.7% (Atlanta Fed GDPNow).

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

Jobs
The unemployment rate is 5.4% (April). The Fed is expecting the unemployment rate to increase to 4.5% by YE23 (March SEP). 253,000 jobs were created in April. The U-rate fell to 3.4%.

FOMC Forecasts – SEP (March 2023)

| Rate | 2023 | 2024 | 2025 | 2026 | 2027 |
|--------------------|------|------|------|------|------|
| Fed Funds | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 |
| 10Y | 4.1 | 4.4 | 4.1 | 3.8 | 3.5 |
| 30Y | 4.2 | 4.4 | 4.1 | 3.8 | 3.5 |
| 10Y Inflation | 2.4 | 2.1 | 2.0 | 2.0 | 2.0 |
| Core PCE Inflation | 3.0 | 2.8 | 2.6 | 2.4 | 2.2 |

Fed Unfiltered - Opinion

After the Friday's jobs report showed continued growth, Austan Goolsbee was asked if there would be a rate hike in June.

- Goolsbee: "I think it's a bit premature to say that."

Over the next month, three other key reports will be released, one just prior to the next FOMC meeting and decision.

- May 27th – April CPI report
- June 2nd – May Jobs report
- June 17th – May CPI report

From here, the Fed will be trying to determine if the economy is continuing to grow (and demand keeps inflation high) or if the economy will slow enough to pause rate hikes.

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

- **Options to Raise:** "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."
- **Options to Drop:** Question – Will 5.25% be the terminal rate? "It's not possible to say that with confidence now... it's an ongoing assessment."

Recession

During the press conference, Powell also conveyed perspectives of the FOMC staff/individual participants as "broadly" forecasting a mild recession. On Friday, James Bullard took the opposite side:

- Bullard: "The rumors of the imminent demise of the economy are greatly exaggerated."

FOMC Voters – Permanent Voters (60w) – Rotating Voters (8w)

| Name | Party | Term | Notes |
|--------------------|-------|-----------|--------------------------|
| James Bullard | Dem | 2023-2025 | Member/Policy, Secretary |
| Michelle Bowman | Rep | 2023-2025 | Member/Policy, Secretary |
| John Covine | Rep | 2023-2025 | Member/Policy, Secretary |
| James Hovland | Rep | 2023-2025 | Member/Policy, Secretary |
| Laura Logan | Rep | 2023-2025 | Member/Policy, Secretary |
| Patrick Schickel | Rep | 2023-2025 | Member/Policy, Secretary |
| Christopher Waller | Rep | 2023-2025 | Member/Policy, Secretary |
| Michelle Bowman | Rep | 2023-2025 | Member/Policy, Secretary |
| John Covine | Rep | 2023-2025 | Member/Policy, Secretary |
| James Hovland | Rep | 2023-2025 | Member/Policy, Secretary |
| Laura Logan | Rep | 2023-2025 | Member/Policy, Secretary |
| Patrick Schickel | Rep | 2023-2025 | Member/Policy, Secretary |
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| James Hovland | Rep | 2023-2025 | Member/Policy, Secretary |
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A summary of Fed Official's Commentary and Fed Funds Forecasts.

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