

High Level

Fed Funds & Terminal Rate

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

Pause & Rate Cuts

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

GDP

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

Inflation

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

Jobs

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

FOMC Forecasts – SEP (March 2023)

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

Fed Unfiltered - Opinion

Jerome Powell kicked it off on May 3rd and since, just about every Fed Officials who's spoken has mentioned assessing credit conditions and their effects on growth, employment and inflation.

Friday, Michelle Bowman talked about the Fed's June equation.

- **Bowman:** "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."

Although April's PCE numbers report May 26th, the key reports will be the May jobs report (June 2nd) & the May CPI report (June 13th).

Tightening credit conditions would help the Fed and could equal a rate hike or two, however the conditions may never materialize.

- **Philip Jefferson:** "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."

James Bullard also spoke on Friday and mentioned inflation.

- **Bullard:** "So far, core PCE inflation has declined only modestly from the peak levels observed last year ... the prospects for continued disinflation are good but not guaranteed."

Bullard mentioned monetary policy too, saying: "Monetary policy is now at the low end of what is arguably sufficiently restrictive." And then identified sufficiently restrictive as somewhere between 4.9% - 6.4% - with high end 100bps higher than current Fed Funds.

What happens at the June FOMC depends on what happens to June 2nd jobs report (growth needs to be less than 100,000) and May's CPI report (core needs to show a rapid decline, to 5.0% or lower). Absent a representation of lessening demand, the Fed would likely proceed with a rate hike.

[Michelle Bowman, Speech: The Evolving Nature of Banking, Bank Culture, and Bank Runs](#)
[Philip Jefferson, Speech: On the Assessment of Current Monetary Policy](#) 5/12/23
[James Bullard, Speech: The Monetary-Fiscal Policy Mix and Central Bank Strategy](#) 5/12/23

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

MOST RECENT --- SPEECH, INTERVIEW, ESSAY	Date	TOPIC	
Lisa Cook	Fed Board - Member	5/13/23	Commencement Address
James Bullard	St. Louis Fed - President	5/12/23	Monetary Policy, Economy
Philip Jefferson	Fed Board - Member	5/12/23	Monetary Policy, Economy
Michelle Bowman	Fed Board - Member	5/12/23	Monetary Policy, Economy
Mary Daly	San Francisco Fed - President	5/12/23	Commencement Address
Neel Kashkari	Minneapolis Fed - President	5/11/23	Monetary Policy, Economy
Christopher Waller	Fed Board - Member	5/11/23	Climate Change & Financials Stability
Tom Barkin	Richmond Fed - President	5/10/23	Monetary Policy, Economy
Austan Goolsbee	Chicago Fed - President	5/10/23	Monetary Policy, Economy
John Williams	NY Fed - President	5/9/23	Monetary Policy, Economy
Philip Jefferson	Fed Board - Member	5/9/23	Economy (recording not yet available)
Jerome Powell	Fed Board - Chair	5/3/23	Monetary Policy, Economy
Forecasts Prior to May 2-3 FOMC Meeting			
Loretta Mester	Cleveland Fed - President	4/20/23	Monetary Policy, Economy
Patrick Harker	Philadelphia Fed - President	4/20/23	Monetary Policy, Economy
Lorie Logan	Dallas Fed - President	4/20/23	Monetary Policy, Economy
Raphael Bostic	Atlanta Fed - President	4/20/23	Speech & Q&A are not yet available
Susan M. Collins	Boston Fed - President	4/3/23	Monetary Policy
Michael Barr	Fed Board - Vice Chair for Supervision	3/29/23	Banking System, SVB Failure & CRA
Forecasts Prior to March 21-22 FOMC Meeting			
Esther George <i>(Retired)</i>	Kansas City Fed - President	1/20/23	Monetary Policy, Economy
Lael Brainard <i>(Resigned)</i>	Fed Board - Vice Chair	1/19/23	Monetary Policy, Economy

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Fed Officials

Lisa Cook, Speech, 5/13/23

A commencement address. Monetary policy and the economy were not mentioned.

[Lisa Cook, Speech: Commencement Address, Tuskegee University](#) 5/13/23

James Bullard, Speech, 5/12/23

Talked about the slow decline of inflation and identified the sufficiently restrictive zone as between 4.9% - 6.4%.

[James Bullard, Speech: The Monetary-Fiscal Policy Mix and Central Bank Strategy](#) 5/12/23

Philip Jefferson, Speech, 5/12/23

Covered inflation, GDP, jobs and the banking crisis, along with its likely limited effect of economic growth.

[Philip Jefferson, Speech: On the Assessment of Current Monetary Policy](#) 5/12/23

Michelle Bowman, Speech, 5/12/23

Talked about a sufficiently restrictive stance, additional monetary policy tightening and the importance of data.

[Michelle Bowman, Speech: The Evolving Nature of Banking, Bank Culture, and Bank Runs](#) 5/12/23

Research Reports

NY Fed

Recent bank runs look quite similar to the 1930s rural bank runs.

[NY Fed, Report: Bank Runs and Information](#) 5/12/23

CBO

If the debt limit remains unchanged, there is a significant risk that at some point in the first two weeks of June.

[CBO, Report: Federal Debt and the Statutory Limit, May 2023](#) 5/12/23

Fed Board

Lessons learned from Roosevelt's policies in the 1930s.

[Fed Board, Report: Recovery of 1933](#) 5/12/23

Economic Calendar

May	
5/24/2023	FOMC - Minutes of the FOMC, May 2-3, 2023
5/25/2023	Gross Domestic Product, 1st Quarter 2023 (Second Estimate)
5/26/2023	Personal Income and Outlays - April 2023
5/31/2023	The Beige Book - May 2023
June	
6/2/2023	Employment Situation - May 2023
6/3/2023	FOMC - Blackout Period, June 3 - June 15

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

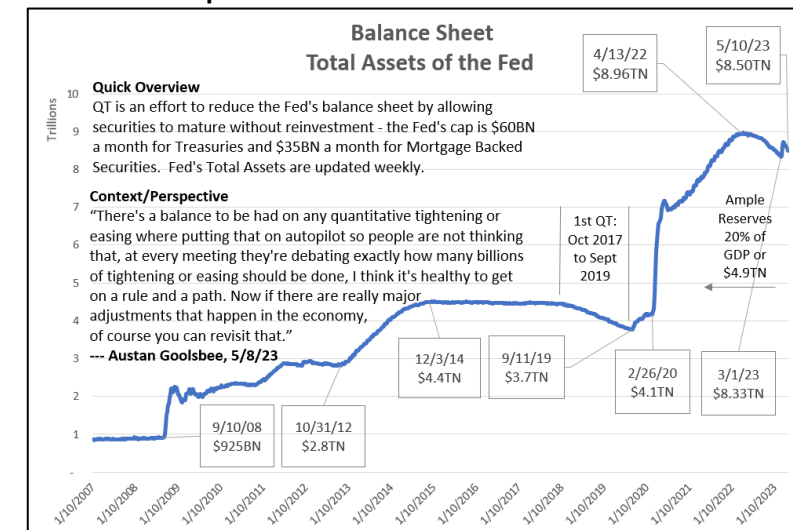
Rate Trends

Key Interest Rates	5/11/23	5/12/23	Change
Fed Funds Target Rate (FFTR)	5.25	5.25	↑ 0.25
BSBY - 1-month	5.10	5.11	↑ 0.01
SOFR - Term Rate - 1-Month (CME Term SOFR)	5.06	5.06	↓ (0.00)
US Treasury - 3-Month	5.20	5.25	↑ 0.05
US Treasury - 2-Year	3.89	3.98	↑ 0.09
US Treasury - 10-Year	3.39	3.46	↑ 0.07
3-Month / 10-year Treasury Yield Curve Spread	(1.81)	(1.79)	↑ 0.02
2-Year / 10-year Treasury Yield Curve Spread	(0.50)	(0.52)	↓ (0.02)

Key Interest Rates	5/8/23	5/9/23	5/10/23	5/11/23	5/12/23	5-Day Change
Fed Funds Target Rate (FFTR)	5.25	5.25	5.25	5.25	5.25	0.00
BSBY - Overnight	5.097	5.152	5.153	5.154	5.148	↑ 0.051
BSBY - 1-month	5.094	5.097	5.099	5.098	5.107	↑ 0.012
SOFR - Overnight	5.060	5.060	5.060	5.050	0.000	↓ (0.010)
SOFR - 30-Day Average	4.847	5.856	4.864	4.872	4.881	↑ 0.034
SOFR - Term Rate - 1-Month	5.055	5.054	5.057	5.059	5.057	↑ 0.002
US Treasury - 3-Month	5.31	5.29	5.24	5.20	5.25	↓ (0.06)
US Treasury - 2-Year	4.00	4.01	3.90	3.89	3.98	↓ (0.02)
US Treasury - 10-Year	3.52	3.53	3.43	3.39	3.46	↓ (0.06)
YC Spread - 3-Month / 10-year Treasury	(1.79)	(1.76)	(1.81)	(1.81)	(1.79)	0.00
YC Spread - 2-Year / 10-year Treasury	(0.48)	(0.48)	(0.47)	(0.50)	(0.52)	↓ (0.04)

[Fed Unfiltered, Daily Report: Rate Trends \(5/12/23\)](#)

Annotated Graphs



[Annotated Graphs](#)

Fed Official Report - and - Research Report

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Fed Officials – Fed Funds Forecast – In the Box

2023 Voter	Fed	Fed Official	Role	Date	MOST RECENT --- Comment about Fed Funds	Source	If a Specific Rate Mentioned
Voter	Board	Jerome Powell	Fed Board - Chair	5/3/23	"We're getting closer or maybe even there. But that again, that's going to be an ongoing assessment and we're going to be looking at those factors ... to determine whether there's more to do."	FOMC Press Conference – May 2023, 5/3/23	Rate Not Mentioned
Voter	Board	Lael Brainard <i>(Resigned)</i>	Fed Board - Vice Chair	n/a	No current comments on Fed Funds.	n/a	
Voter	Board	Michael Barr	Fed Board - Vice Chair for Supervision	n/a	No current comments on Fed Funds.	n/a	
Voter	Board	Christopher Waller	Fed Board - Member	4/14/23	"I believe there's still work to do."	Speech, Financial Stabilization and Macroeconomic Stabilization, Two Tools for Two Problems, 4/14/23	Rate Not Mentioned
Voter	Board	Lisa Cook	Fed Board - Member	4/21/23	"Currently, with the federal funds rate target near 5 percent, I am looking at what rate will be sufficiently restrictive to bring inflation down to 2 percent, over time."	Speech: Important Questions for Economic Research, 4/21/23	Rate Not Mentioned
Voter	Board	Philip Jefferson	Fed Board - Member	n/a	No current comments on Fed Funds.	n/a	
Voter	Board	Michelle Bowman	Fed Board - Member	5/12/23	"Should inflation remain high and the labor market remain tight, additional monetary policy tightening will likely be appropriate."	Speech, The Evolving Nature of Banking, Bank Culture, and Bank Runs, 5/12/23	Rate Not Mentioned
	District 1	Susan M. Collins	Boston Fed - President	4/3/23	"Perhaps one more increase might be sufficiently tight and then holding for some time."	Interview, Marketplace Morning Report, 4/3/23	Rate Not Mentioned
	District 2	John Williams	NY Fed - President	5/9/23	"I will be particularly focused on assessing the evolution of credit conditions and their effects on the outlook for growth, employment, and inflation."	Speech, This is the Way, 5/9/23	Between 5.00-5.25% (4/11/23)
Voter	District 3	Patrick Harker	Philadelphia Fed - President	4/20/23	"I anticipate that some additional tightening may be needed to ensure policy is restrictive enough to support both pillars of our dual mandate."	Speech, Understanding Monetary Policy Through the Housing Channel, 4/20/23	Above 5.00% (4/11/23)
	District 4	Loretta Mester	Cleveland Fed - President	4/20/23	"I anticipate that monetary policy will need to move somewhat further into restrictive territory this year, with the fed funds rate moving above 5 percent."	Speech, Progress and Prudence, An Update on the Economy and Monetary Policy, 4/20/23	Above 5.00% (4/20/23)
	District 5	Tom Barkin	Richmond Fed - President	5/10/23	"If you don't see demand weakening, if you don't see inflation start to come down, then you do have to ask yourself whether the level of restrictiveness is sufficient or not."	Interview, AP, 5/10/23	Rate Not Mentioned
	District 6	Raphael Bostic	Atlanta Fed - President	4/18/23	Interview Question: Are you still thinking one and done when it comes to a May interest rate increase? "One, for sure, that's my baseline for this year." After May? "My baseline is to hold."	Interview: CNBC, 4/18/23	5.25% (4/18/23)
Voter	District 7	Austan Goolsbee	Chicago Fed - President	5/12/23	"Let's be on alert and be prudent and patient in our decisions."	Interview, PBS News Hour, 5/12/23	Rate Not Mentioned
	District 8	James Bullard	St. Louis Fed - President	5/12/23	"Monetary policy is now at the low end of what is arguably sufficiently restrictive." Bullary identified Sufficiently as somewhere between 4.9% and 6.4%.	Speech, Interview, The Monetary-Fiscal Policy Mix and Central Bank Strategy, 5/12/23	Between 4.9% and 6.4% (5/12/23)
Voter	District 9	Neel Kashkari	Minneapolis Fed - President	5/11/23	"If the markets are right that inflation is going to fall pretty quickly, then one might imagine interest rates normalizing."	Interview, Marquette CEO Town Hall, 5/11/23	Rate Not Mentioned
	District 10	Esther George <i>(Retired)</i>	Kansas City Fed - President	n/a	No current comments on Fed Funds.	n/a	
Voter	District 11	Lorie Logan	Dallas Fed - President	2/14/23	"I anticipate we will need to continue gradually raising the fed funds rate."	Speech, Restoring Price Stability, 2/14/23	Rate Not Mentioned
	District 12	Mary Daly	San Francisco Fed - President	4/12/23	"We're at a point now where ... we don't expect to continue to raise rates up every meeting."	Speech, Calibrating Policy in an Uncertain Time 4/12/23	Rate Not Mentioned

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