

High Level

Fed Funds & Terminal Rate

Fed Funds is now 5.25%. Based on the YE FF forecast in the March SEP, we've arrived at the Terminal Rate. Although on May 3rd, Jerome Powell said, "it's not possible to say with confidence," we've reached the terminal rate. More data will be needed.

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 1.8% (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 3.5% (March). The Fed is expecting the unemployment rate to increase to 4.5% by YE23 (March SEP). April jobs report is out Friday, median consensus is 175,000 job growth.

Fed Unfiltered - Opinion

Monetary Policy

- The next FOMC is June 13-14. At this point it's a toss-up, the Fed could pause or hike rates again. Inflation will be the determining factor – if receding, a pause; if flat or higher, a hike. We'll see two CPI reports between now and June 14th.

Fed Officials

Jerome Powell, Speech/Q&A, FOMC Press Conf. 5/3/23

A lot of ground was covered in this press conference. Powell talked about being at or near the terminal rate ("we may not be far off"). A potential pause was discussed ("we'll approach that question in June") along with tightening credit standards, rate cuts ("not in the forecast") and a recession ("broadly, the forecast was for a mild recession").

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

Lisa Cook, Speech, 4/21/23

Talked about the recent headwinds of the banking crisis; how the decline of inflation could be long and bumpy and the recent slowing of the jobs market.

[Lisa Cook, Speech: Important Questions for Economic Research](#) 4/21/23

Loretta Mester, Speech/Q&A, 4/20/23

Talked about how we're close to the end of the tightening cycle; how a recession is not in the forecast, but slow growth is. Forecasts for inflation, jobs and GDP were also updated.

[Loretta Mester, Speech: Progress and Prudence, An Update on the Economy and Monetary Policy](#) 4/20/23

Patrick Harker, Speech, 4/20/23

Talked about additional tightening for Fed Funds; how rate cuts aren't likely until 2024 and updated forecasts were provided for inflation, jobs and GDP. The banking crisis was also mentioned.

[Patrick Harker, Speech: Understanding Monetary Policy Through the Housing Channel](#) 4/20/23

John Williams, Speech, 4/19/23

Touched on the banking crisis and its impact on the economy, talked about inflation, inflation expectations and offered updated forecasts for GDP, Jobs and FF.

[John Williams, Speech: Attaining and Maintaining Price Stability](#) 4/19/23

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

MOST RECENT --- SPEECH, INTERVIEW, ESSAY		Date	TOPIC
Jerome Powell	Fed Board - Chair	5/3/23	Monetary Policy, Economy
Forecasts Prior to May 2-3 FOMC Meeting			
Lisa Cook	Fed Board - Member	4/21/23	Monetary Policy, Economy
Loretta Mester	Cleveland Fed - President	4/20/23	Monetary Policy, Economy
Patrick Harker	Philadelphia Fed - President	4/20/23	Monetary Policy, Economy
Christopher Waller	Fed Board - Member	4/20/23	Tokenization and AI
Michelle Bowman	Fed Board - Member	4/20/23	Fed Listens Event
Lorie Logan	Dallas Fed - President	4/20/23	Monetary Policy, Economy
Raphael Bostic	Atlanta Fed - President	4/20/23	Speech & Q&A are not yet available
John Williams	NY Fed - President	4/19/23	Monetary Policy, Economy
Austan Goolsbee	Chicago Fed - President	4/18/23	Monetary Policy, Economy
James Bullard	St. Louis Fed - President	4/18/23	Monetary Policy, Economy
Tom Barkin	Richmond Fed - President	4/17/23	Speech/Q&A are Not Available
Mary Daly	San Francisco Fed - President	4/12/23	Monetary Policy, Economy
Neel Kashkari	Minneapolis Fed - President	4/11/23	Economy
Susan M. Collins	Boston Fed - President	4/3/23	Monetary Policy
Michael Barr	Fed Board - Vice Chair for Supervision	3/29/23	Banking System, SVB Failure & CRA
Philip Jefferson	Fed Board - Member	3/27/23	How Monetary Policy Works
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

FOMC Forecasts – SEP (March 2023)

SEP - March	Current	Fed Forecast YE 2023	Fed Forecast YE 2024	Fed Forecast Longer Run	Next Release Date
Unemployment Rate	3.5	4.5	4.6	4.0	5/5/23
Core CPI	5.6	n/a	n/a	n/a	5/10/23
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
Fed Funds (FOMC)	5.25	5.10	4.30	2.50	6/14/23

[Fed Board, Report: Summary of Economic Projections \(SEP\) – March 2023](#)

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Research Reports

CBO

February's tax receipts were less than expected. CBO now forecasts the Treasury will run out of funds in June.

[CBO, Press Release: The Treasury Will Run Out of Funds in Early June](#) 5/1/23

FDIC

JP Morgan takes over the failed First Republic Bank.

[FDIC, Press Release: First Republic Failure](#) 5/1/23

St. Louis Fed

Internet websites, making money and the difference between one-sided and two-sided markets.

[St. Louis Fed, Report: Why Are Some Social Media Sites Free to Use?](#) 5/1/23

Fed Board

A 118-page report on the failure of SVB, including the bank's mismanagement, the poor supervision and the lessons learned.

[Fed Board, Report: Review of the Supervision and Regulation of Silicon Valley Bank](#) 4/28/23

OFR

The repo rate spikes in 2019 were a combination of three things: (1) target Treasury issuances; (2) corporate tax deadlines; and (3) an overall lower level of reserves.

[OFR, Report: Anatomy of the Repo Rate Spikes in September 2019 ...](#) 4/25/23

CBO

Supply disruptions, low economic slack, and restrained supply's interaction with low slack each amplify the effects of expansionary fiscal policies on inflation.

[CBO, Report: Effects of Fiscal Policy on Inflation, Implications of Supply Disruptions and Economic Slack](#) 4/25/23

Economic Calendar – Blackout Ends Today (5/4/23)

May	
5/5/2023	Employment Situation - April 2023
5/10/2023	Consumer Price Index - April 2023
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

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

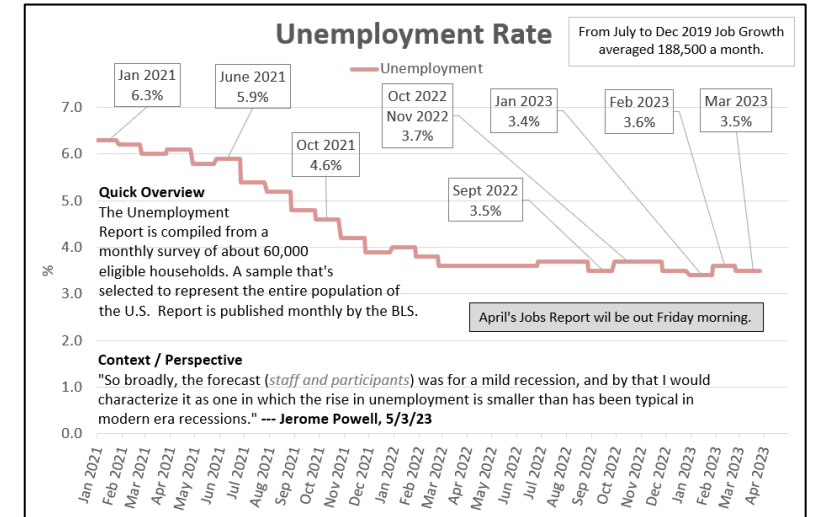
Rate Trends

Key Interest Rates	5/2/23	5/3/23	Change
Fed Funds Target Rate (FFTR)	5.00	5.25	↑ 0.25
BSBY - 1-month	5.04	5.06	↑ 0.02
SOFR - Term Rate - 1-Month (CME Term SOFR)	5.05	5.04	↓ (0.01)
US Treasury - 3-Month	5.24	5.26	↑ 0.02
US Treasury - 2-Year	3.97	3.89	↓ (0.08)
US Treasury - 10-Year	3.44	3.38	↓ (0.06)
3-Month / 10-year Treasury Yield Curve Spread	(1.80)	(1.88)	↓ (0.08)
2-Year / 10-year Treasury Yield Curve Spread	(0.53)	(0.51)	↑ 0.02

Key Interest Rates	4/27/23	4/28/23	5/1/23	5/2/23	5/3/23	5-Day Change
Fed Funds Target Rate (FFTR)	5.00	5.00	5.00	5.00	5.25	↑ 0.25
BSBY - Overnight	4.890	4.890	4.884	4.900	4.903	↑ 0.013
BSBY - 1-month	5.019	5.045	5.052	5.043	5.057	↑ 0.038
SOFR - Overnight	4.810	4.810	4.810	4.810	0.000	0.000
SOFR - 30-Day Average	4.823	4.822	4.819	4.817	4.815	↓ (0.008)
SOFR - Term Rate - 1-Month	4.993	5.019	5.034	5.046	5.040	↑ 0.047
US Treasury - 3-Month	5.18	5.10	5.27	5.24	5.26	↑ 0.08
US Treasury - 2-Year	4.07	4.04	4.14	3.97	3.89	↓ (0.18)
US Treasury - 10-Year	3.53	3.44	3.59	3.44	3.38	↓ (0.15)
YC Spread - 3-Month / 10-year Treasury	(1.65)	(1.66)	(1.68)	(1.80)	(1.88)	↓ (0.23)
YC Spread - 2-Year / 10-year Treasury	(0.54)	(0.60)	(0.55)	(0.53)	(0.51)	↑ 0.03

[Fed Unfiltered, Daily Report: Rate Trends \(5/3/23\)](#)

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	Target Rate Mentioned Post March 21-22
Voter	Board	Jerome Powell	Fed Board - Chair	5/3/23	"We're getting closer or maybe even there. But that again, that's going to be an ongoing assessment and we're going to be looking at those factors ... to determine whether there's more to do."	FOMC Press Conference – May 2023, 5/3/23	Rate Not Mentioned
Voter	Board	Lael Brainard <i>(Resigned)</i>	Fed Board - Vice Chair	n/a	No current comments on Fed Funds.	n/a	
Voter	Board	Michael Barr	Fed Board - Vice Chair for Supervision	n/a	No current comments on Fed Funds.	n/a	
Voter	Board	Christopher Waller	Fed Board - Member	4/14/23	"I believe there's still work to do."	Speech, Financial Stabilization and Macroeconomic Stabilization, Two Tools for Two Problems, 4/14/23	Rate Not Mentioned
Voter	Board	Lisa Cook	Fed Board - Member	4/21/23	"Currently, with the federal funds rate target near 5 percent, I am looking at what rate will be sufficiently restrictive to bring inflation down to 2 percent, over time."	Speech: Important Questions for Economic Research, 4/21/23	Rate Not Mentioned
Voter	Board	Philip Jefferson	Fed Board - Member	n/a	No current comments on Fed Funds.	n/a	
Voter	Board	Michelle Bowman	Fed Board - Member	2/17/23	"We'll have to continue to raise the federal funds rate until we see a lot more progress."	Speech, Tennessee Bankers Association Credit Conference, 2/17/23	Rate Not Mentioned
	District 1	Susan M. Collins	Boston Fed - President	4/3/23	"Perhaps one more increase might be sufficiently tight and then holding for some time."	Interview, Marketplace Morning Report, 4/3/23	Rate Not Mentioned
	District 2	John Williams	NY Fed - President	4/19/23	"Inflation is still too high, and we will use our monetary policy tools to restore price stability."	Speech: Attaining and Maintaining Price Stability, 4/19/23	Between 5.00-5.25% (4/11/23)
Voter	District 3	Patrick Harker	Philadelphia Fed - President	4/20/23	"I anticipate that some additional tightening may be needed to ensure policy is restrictive enough to support both pillars of our dual mandate."	Speech, Understanding Monetary Policy Through the Housing Channel, 4/20/23	Above 5.00% (4/11/23)
	District 4	Loretta Mester	Cleveland Fed - President	4/20/23	"I anticipate that monetary policy will need to move somewhat further into restrictive territory this year, with the fed funds rate moving above 5 percent."	Speech, Progress and Prudence, An Update on the Economy and Monetary Policy, 4/20/23	Above 5.00% (4/20/23)
	District 5	Tom Barkin	Richmond Fed - President	4/12/23	"I don't have a view that you find some particular number that's the perfect <i>(Fed Funds)</i> number."	Interview, CNBC, 4/12/23	Rate Not Mentioned
	District 6	Raphael Bostic	Atlanta Fed - President	4/18/23	Interview Question: Are you still thinking one and done when it comes to a May interest rate increase? "One, for sure, that's my baseline for this year." After May? "My baseline is to hold."	Interview: CNBC, 4/18/23	5.25% (4/18/23)
Voter	District 7	Austan Goolsbee	Chicago Fed - President	4/18/23	"My message is, be prudent, be patient."	Interview: Marketplace, 4/18/23	Rate Not Mentioned
	District 8	James Bullard	St. Louis Fed - President	4/3/23	"I think we'll need to get over 5%. The median person on the committee says a little over 5%. I'm a little higher than that."	Interview, Bloomberg TV, 4/3/23	Little Higher than 5.00% (4/3/23)
Voter	District 9	Neel Kashkari	Minneapolis Fed - President	3/26/23	"Now, on one hand, such strains could then bring down inflation. So we have to do less work with the federal funds rate to bring the economy into balance."	Interview, CBS Face the Nation, 3/26/23	Rate Not Mentioned
	District 10	Esther George <i>(Retired)</i>	Kansas City Fed - President	n/a	No current comments on Fed Funds.	n/a	
Voter	District 11	Lorie Logan	Dallas Fed - President	2/14/23	"I anticipate we will need to continue gradually raising the fed funds rate."	Speech, Restoring Price Stability, 2/14/23	Rate Not Mentioned
	District 12	Mary Daly	San Francisco Fed - President	4/12/23	"We're at a point now where ... we don't expect to continue to raise rates up every meeting."	Speech, Calibrating Policy in an Uncertain Time 4/12/23	Rate Not Mentioned

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