

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
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
Unemployment Rate	3.4	4.5	4.6	4.0	6/2/23
Fed Funds (FOMC)	5.25	5.10	4.30	2.50	6/14/23

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*) way too 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 10th – April CPI report.
- June 2nd – May Jobs report.
- June 13th – 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).

- Option to Pause: "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."
- Option to Hike: 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."

[Austan Goolsbee, Interview: Fox News 5/5/23](#)

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

[James Bullard, Interview: Economic Club of Minnesota 5/5/23](#)

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

MOST RECENT --- SPEECH, INTERVIEW, ESSAY	Date	TOPIC	
James Bullard	St. Louis Fed - President	5/5/23	Monetary Policy, Economy
Austan Goolsbee	Chicago Fed - President	5/5/23	Monetary Policy, Economy
Lisa Cook	Fed Board - Member	5/5/23	Commencement Address
Jerome Powell	Fed Board - Chair	5/3/23	Monetary Policy, Economy
Forecasts Prior to May 2-3 FOMC Meeting			
Loretta Mester	Cleveland Fed - President	4/20/23	Monetary Policy, Economy
Patrick Harker	Philadelphia Fed - President	4/20/23	Monetary Policy, Economy
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
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

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Fed Officials

James Bullard, Interview. 5/5/23

A partial video and transcript have been made available. Waiting on the release of the full video. In the partial, Bullard talks about Fed Funds, recession and jobs report.

[James Bullard, Interview: Economic Club of Minnesota 5/5/23](#)

Austan Goolsbee, Interview, 5/5/23

A Fox News interview, where credit conditions were covered along with a possible rate hike in June.

[Austan Goolsbee, Interview: Fox News 5/5/23](#)

Lisa Cook, Speech, 5/5/23

A Michigan State University commencement speech. Monetary policy and the economy were not discussed.

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

Research Reports

St. Louis Fed

The drop in the LFPR is partly due to a wealth effect driven by historically high returns of the stock market.

[St. Louis Fed, Report: Pandemic Labor Force Participation and Net Worth Fluctuations 5/5/23](#)

Richmond Fed

Firms are slowing the pace of existing projects or pushing back the start of pending projects.

[Richmond Fed, Report: Are Capital Expenditures Getting Too Expensive? 5/5/23](#)

St. Louis Fed

This paper examines how the election of 1912 changed the makeup of Congress and led to the Fed Reserve Act.

[St. Louis Fed, Report: Theodore Roosevelt, the Election of 1912, and the Founding of the Federal Reserve 5/5/23](#)

Economic Calendar

May	
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
June	
6/2/2023	Employment Situation - May 2023

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

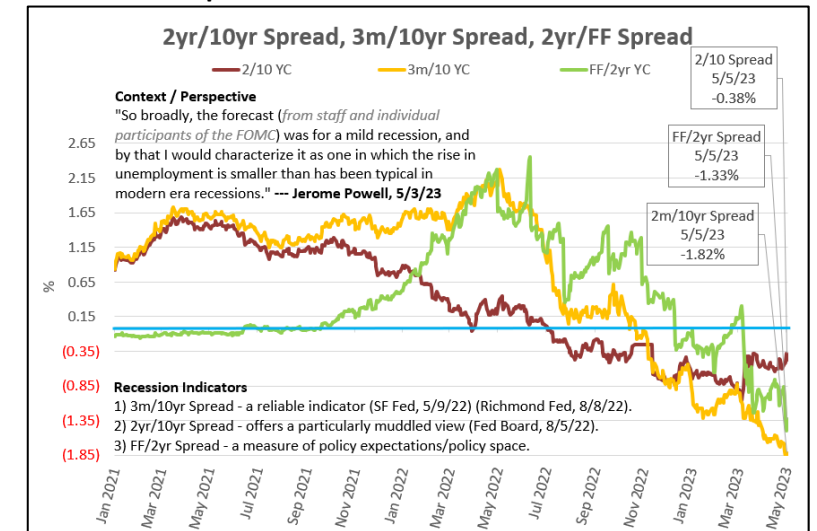
Rate Trends

Key Interest Rates	5/4/23	5/5/23	Change
Fed Funds Target Rate (FFTR)	5.25	5.25	↑ 0.25
BSBY - 1-month	5.07	5.08	↑ 0.02
SOFR - Term Rate - 1-Month (CME Term SOFR)	5.04	5.05	↑ 0.01
US Treasury - 3-Month	5.26	5.26	0.00
US Treasury - 2-Year	3.75	3.92	↑ 0.17
US Treasury - 10-Year	3.37	3.44	↑ 0.07
3-Month / 10-year Treasury Yield Curve Spread	(1.89)	(1.82)	↑ 0.07
2-Year / 10-year Treasury Yield Curve Spread	(0.38)	(0.48)	↓ (0.10)

Key Interest Rates	5/1/23	5/2/23	5/3/23	5/4/23	5/5/23	5-Day Change
Fed Funds Target Rate (FFTR)	5.00	5.00	5.25	5.25	5.25	↑ 0.25
BSBY - Overnight	4.884	4.900	4.903	4.903	4.952	↑ 0.068
BSBY - 1-month	5.052	5.043	5.057	5.068	5.084	↑ 0.033
SOFR - Overnight	4.810	4.810	4.810	5.060	0.000	↑ 0.250
SOFR - 30-Day Average	4.819	4.817	4.815	4.814	4.822	↑ 0.003
SOFR - Term Rate - 1-Month	5.034	5.046	5.040	5.043	5.050	↑ 0.016
US Treasury - 3-Month	5.27	5.24	5.26	5.26	5.26	↓ (0.01)
US Treasury - 2-Year	4.14	3.97	3.89	3.75	3.92	↓ (0.22)
US Treasury - 10-Year	3.59	3.44	3.38	3.37	3.44	↓ (0.15)
YC Spread - 3-Month / 10-year Treasury	(1.68)	(1.80)	(1.88)	(1.89)	(1.82)	↓ (0.14)
YC Spread - 2-Year / 10-year Treasury	(0.55)	(0.53)	(0.51)	(0.38)	(0.48)	↑ 0.07

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

Annotated Graphs



[Annotated Graphs](#)

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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	5/5/23	A Hike in June? "I think way too premature to say that."	Interview: Fox News, 5/5/23	Rate Not Mentioned
	District 8	James Bullard	St. Louis Fed - President	5/5/23	"I am willing to be data dependent and not prejudice ... It is impressive that we moved above the 5% benchmark."	Interview, Economic Club of Minnesota, 5/5/23	Little Higher than 5.00% (4/3/23)
Voter	District 9	Neel Kashkari	Minneapolis Fed - President	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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