

Website, Homepage
Left-Hand Column
6/3/23

Pete Sullivan
Research Analyst
pete.sullivan@fedunfiltered.com

Our Opinion

The Fed put their cards on the table this week with both a rate hike showing and a pause showing. The jobs report card was flipped on Friday (6/2/23) and surprised with continued strong growth (339,000 in May), instead of the slowdown the Fed (and professional forecasters) were expecting (median consensus was 180,000), which means demand isn't yet lessening. The CPI card will be flipped on June 13th and the Fed will then have to show their whole hand on June 14th.

Whether there will be a hike or a pause is anyone's guess. The Fed likely won't know until the CPI numbers come in.

Inflation trends have been static or up (trimmed mean).

	Feb	Mar	Apr
Inflation			
Core CPI	5.5%	5.6%	5.5%
Core PCE	4.7%	4.6%	4.7%
Dallas Fed Trimmed Mean	4.64%	4.69%	4.80%

Which would mean there's more work to do, as several Fed Officials (Christopher Waller, Loretta Mester and James Bullard) have said.

- **Loretta Mester:** "I just think that we may have to go further ... to take another small step to counter some of that really embedded stubborn inflationary pressure."

Equally emphatic, several Fed Officials (Philip Jefferson, Patrick Harker and Susan M. Collins) have talked about the benefits of a pause/skip/hold.

- **Philip Jefferson:** "skipping a rate hike at a coming meeting would allow the Committee to see more data before making decisions about the extent of additional policy firming."

If May's core CPI doesn't decrease below 5.0%, we are expecting the Fed to hike rates on June 14th.

FedUnfiltered.com

- Fed's Interviews, Speeches and Research Reports.
- Organized as Resource for Planning and Forecasting.
- Relevant Information for your Decision Making.