
Data Insights: Federal Reserve

Wednesday, January 16, 2022

[Today's FOMC statement](#): how the language changed from [prior meeting](#)

~~December 15, 2021~~

[January 26, 2022](#)

Federal Reserve issues FOMC statement

For release at 2:00 p.m. EST

Indicators of economic activity and employment have continued to strengthen. The sectors most adversely affected by the pandemic have improved in recent months but ~~continue to be~~ being affected by the recent sharp rise in COVID-19 cases. Job gains have been solid in recent months, and the unemployment rate has declined substantially. Supply and demand imbalances related to the pandemic and the reopening of the economy have continued to contribute to elevated levels of inflation. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses.

The path of the economy continues to depend on the course of the virus. Progress on vaccinations and an easing of supply constraints are expected to support continued gains in economic activity and employment as well as a reduction in inflation. Risks to the economic outlook remain, including from new variants of the virus.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent. With inflation ~~having exceeded well above~~ 2 percent ~~for some time and a strong labor market~~, the Committee expects it will soon be appropriate to ~~maintain this~~ raise the target range ~~until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment. In light of inflation developments and for the further improvement in the labor market, the federal funds rate.~~ The Committee decided to continue to reduce the monthly pace of its net asset purchases ~~by \$20 billion for Treasury securities and \$10 billion for agency mortgage-backed securities, bringing them to an end in early March.~~ Beginning in ~~January~~ February, the Committee will increase its holdings of Treasury securities by at least ~~\$40~~ 20 billion per month and of agency mortgage-backed securities by at least ~~\$20~~ 10 billion per month. ~~The Committee judges that similar reductions in the pace of net asset purchases will likely be appropriate each month, but it is prepared to adjust the pace of purchases if warranted by changes in the economic outlook.~~ The Federal Reserve's ongoing purchases and holdings of securities will continue to foster smooth market functioning and accommodative financial conditions, thereby supporting the flow of credit to households and businesses.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on public health, labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

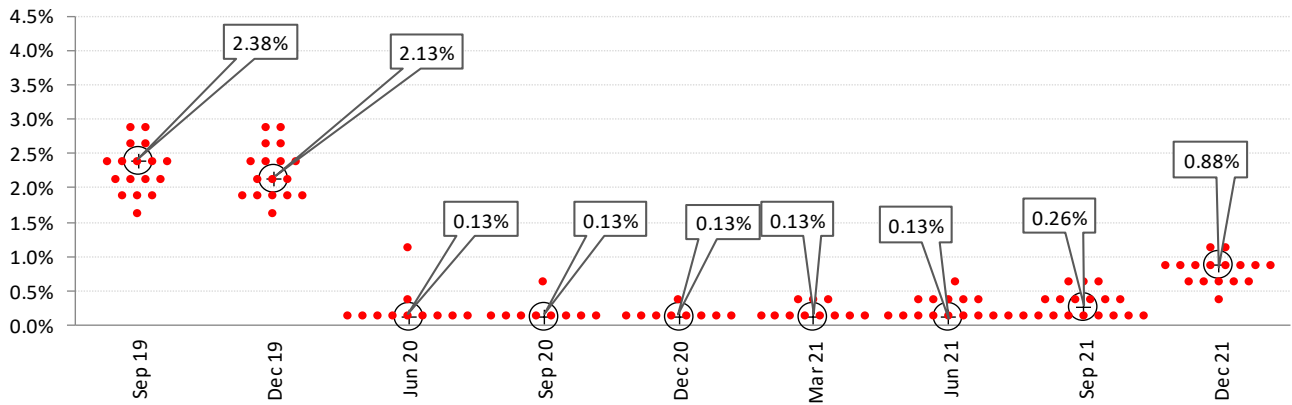
Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; ~~Thomas I. Barkin; Raphael W. Bostic;~~ Michelle W. Bowman; Lael Brainard; ~~Richard H. Clarida; Mary C. Daly;~~ ~~Charles James Bullard; Esther L. Evans; Randal K. Quarles George;~~ Patrick Harker; Loretta J. Mester; and Christopher J. Waller. Patrick Harker voted as an alternate member at this meeting.

Source: FOMC, TrendMacro analysis

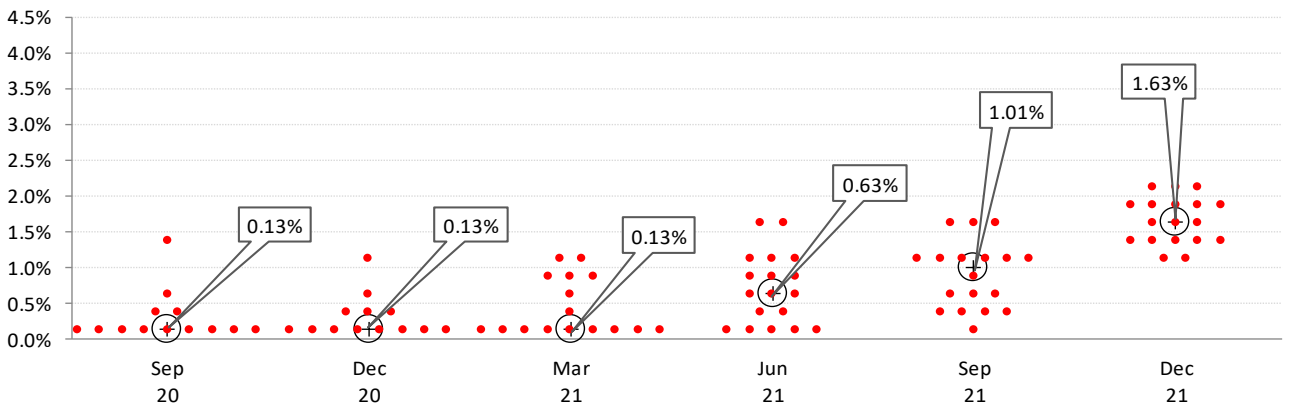
Tracking the "dotplots" year by year *As of December 2021 FOMC*

FOMC participants' estimate of "appropriate" target fed funds rate ● Vote by participant ○ Median

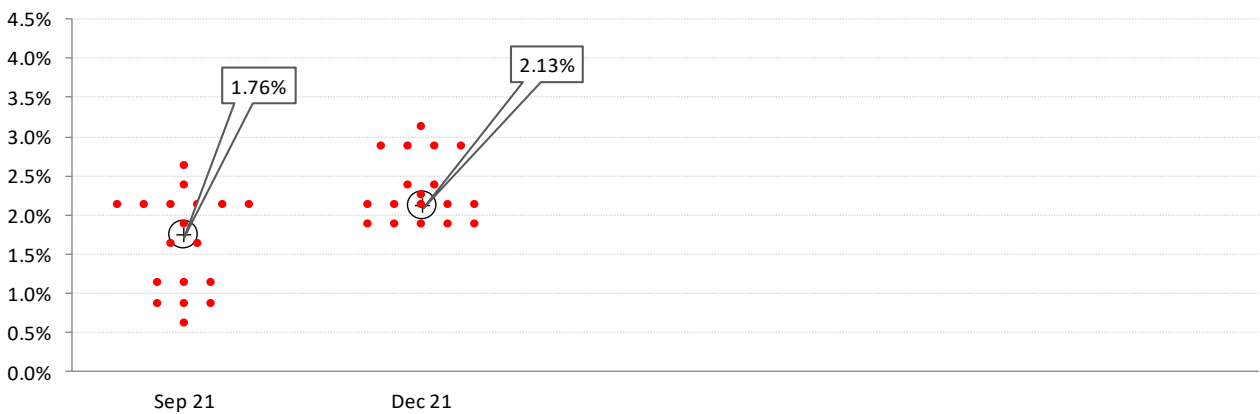
For year-end 2022



For year-end 2023



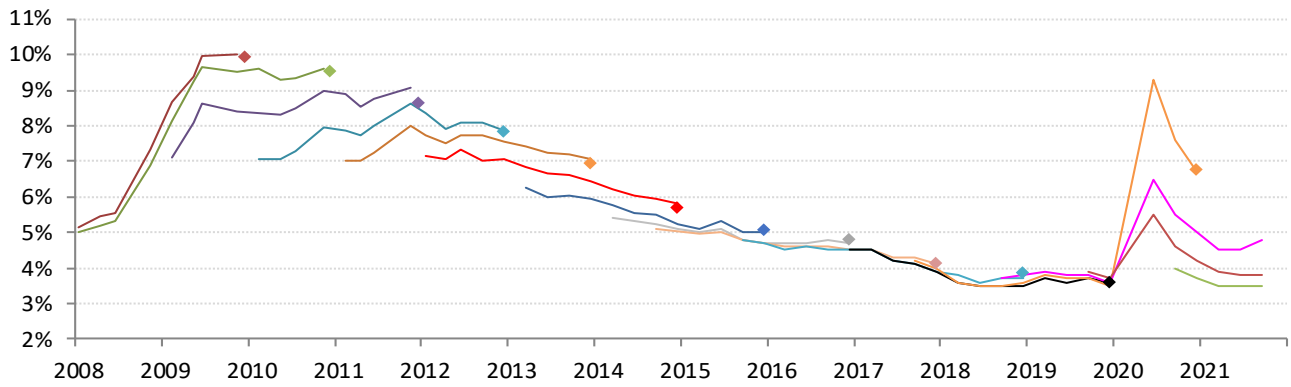
For year-end 2024



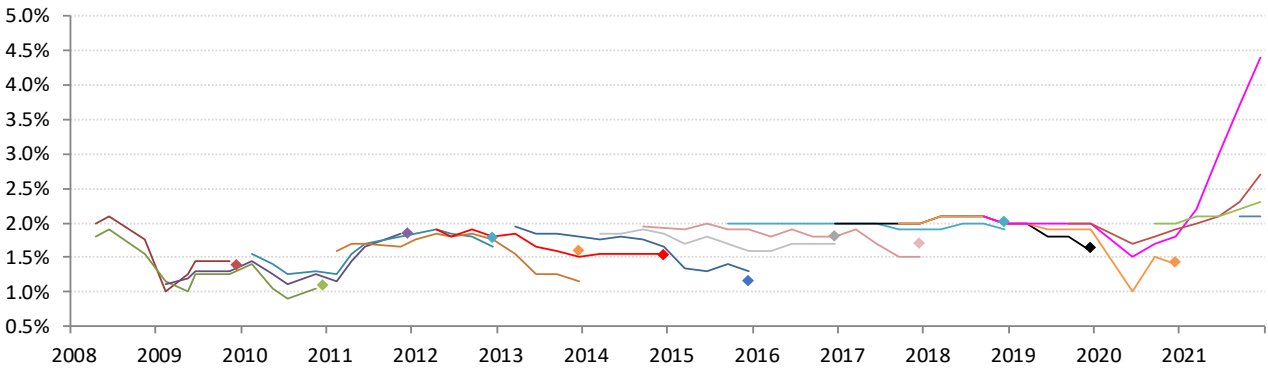
Forecast v actual: [economic projections](#) FRB and presidents *As of Dec 2021 FOMC*

— Forecast ♦ Actual 2009 10 11 12 13 14 15 16 17 18 19 20 21 22 23 2024

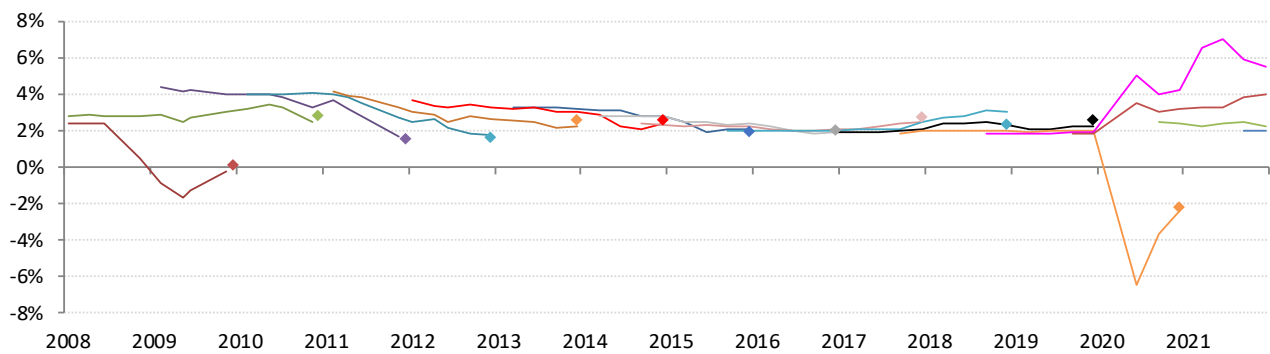
Unemployment



Core PCE inflation



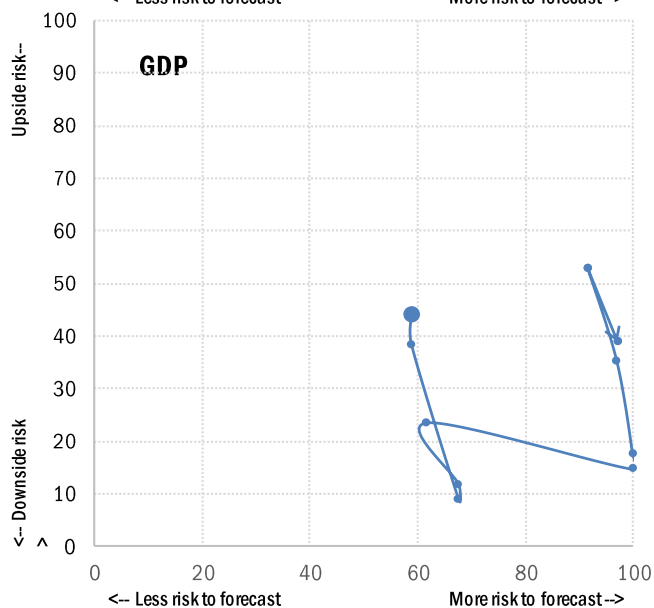
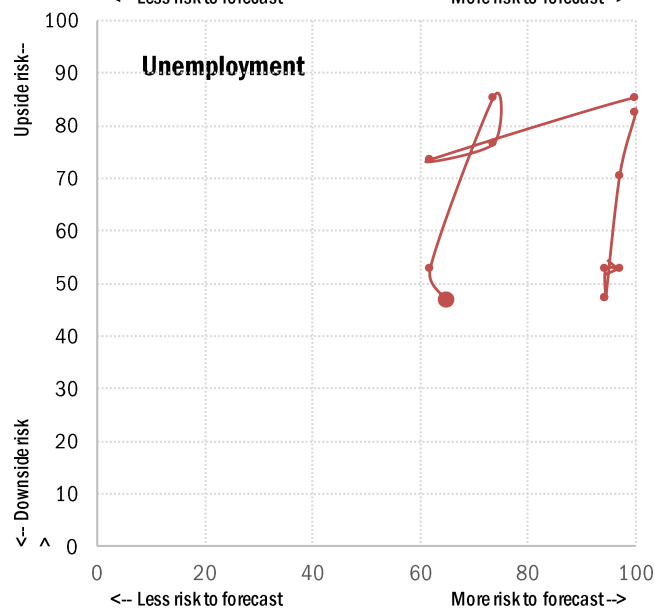
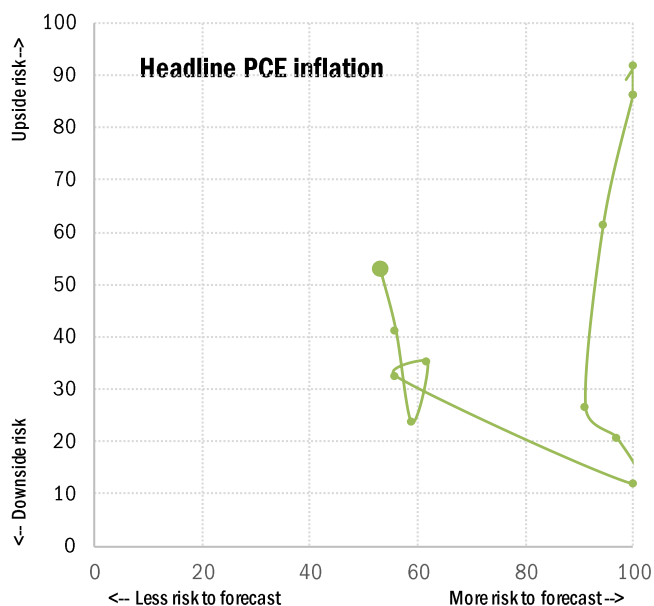
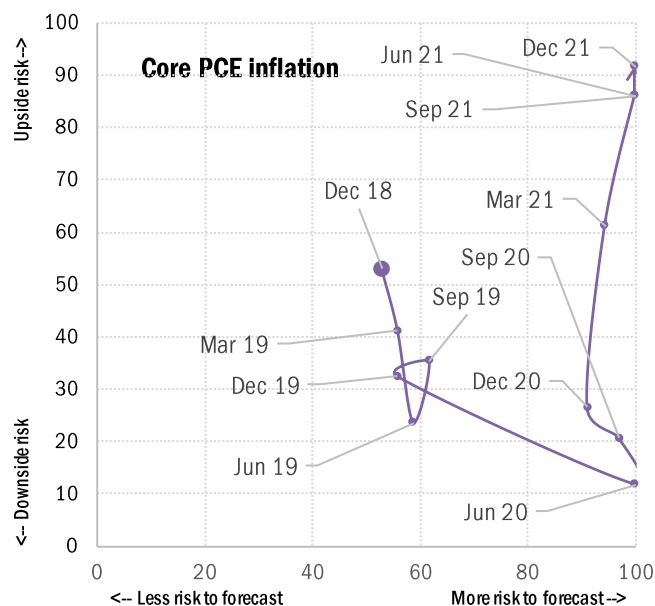
Real GDP



Source: Federal Reserve, BEA, BLS, TrendMacro calculations

The evolution of uncertainty *As of December 2021 FOMC*

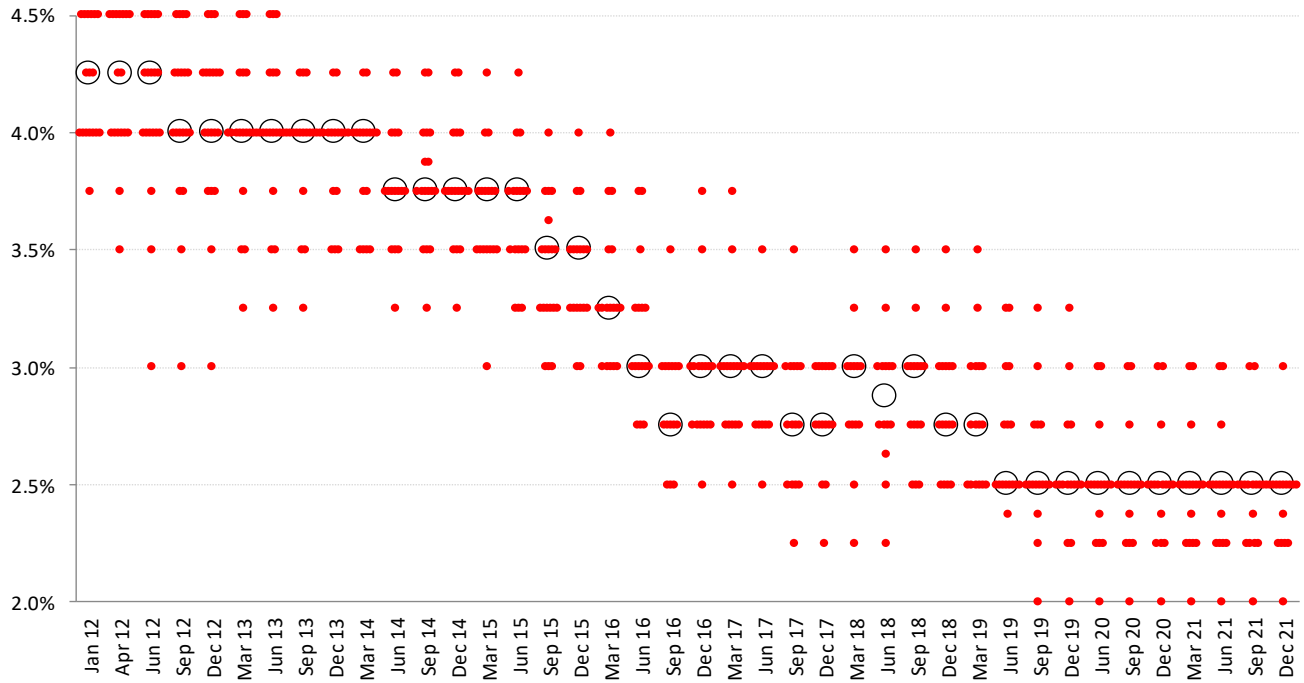
Diffusion indices from FOMC participants' risk self-assessments in [Summary of Economic Projections](#)



Source: Federal Reserve Board, TrendMacro calculations

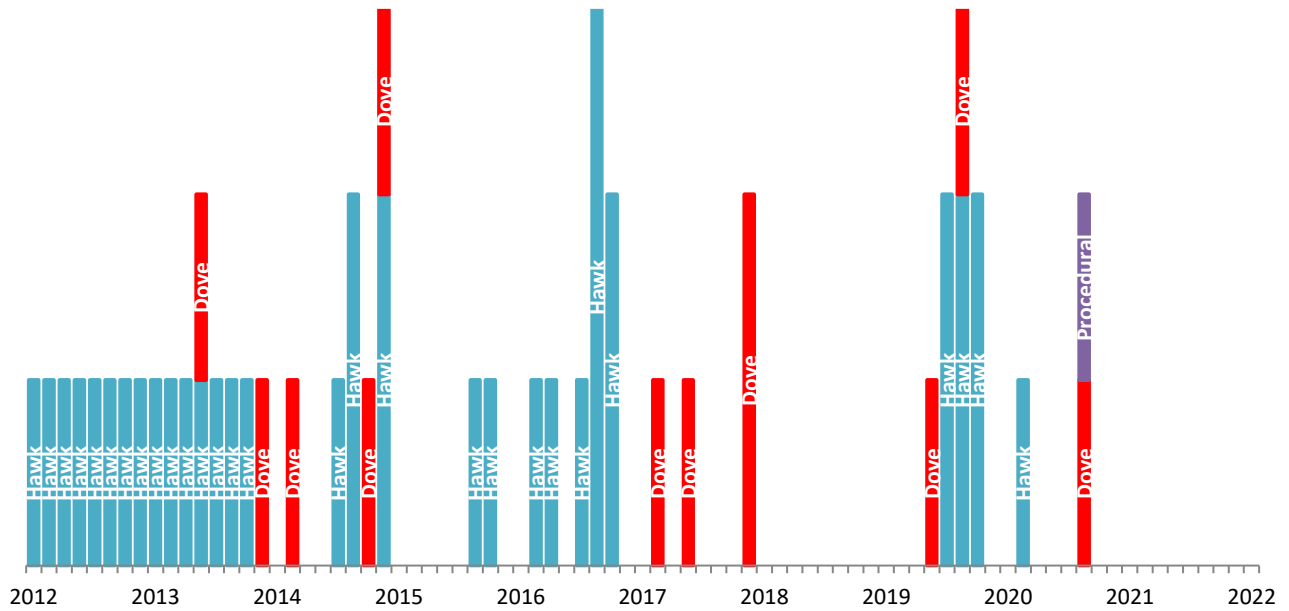
"R-star" – the ultimate dot-plot *As of December 2021 FOMC*

FOMC participants' estimate of "longer run" target funds rate ● Individual participant ○ Median



Source: Federal Reserve, TrendMacro calculations

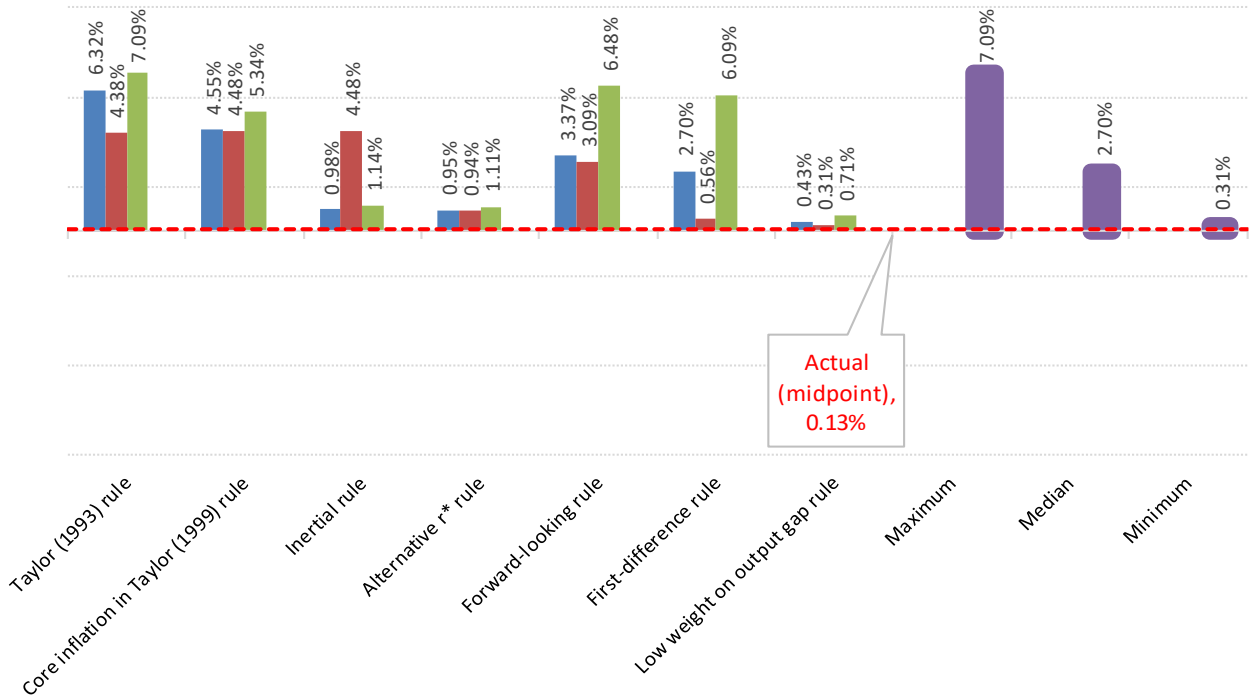
Other voices: number and direction of FOMC decision dissents



Source: FOMC, TrendMacro calculations

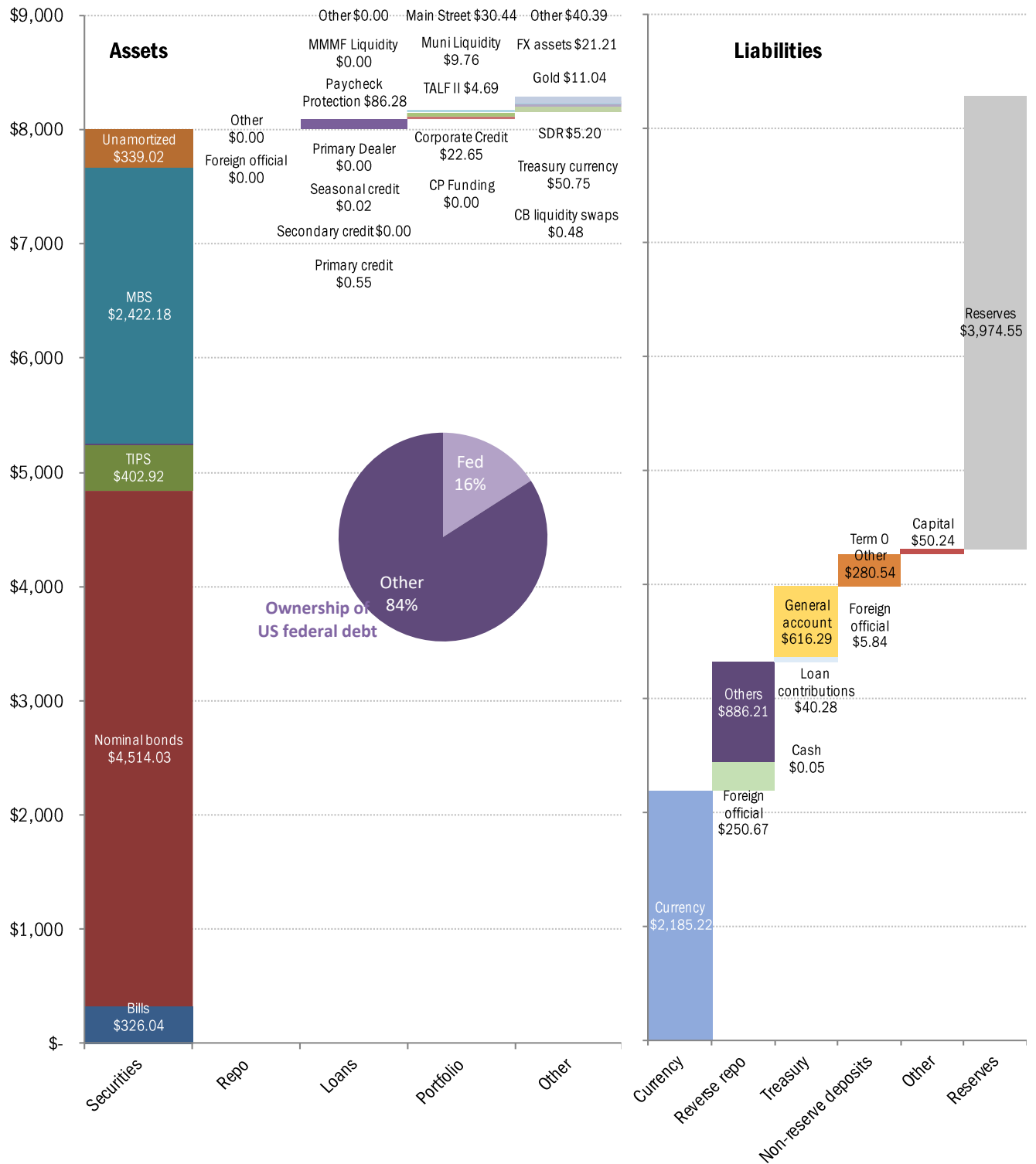
So many policy rules, so little time...

As of December 1, 2021 Based on inputs from: FOMC SEP CBO Cleveland Fed



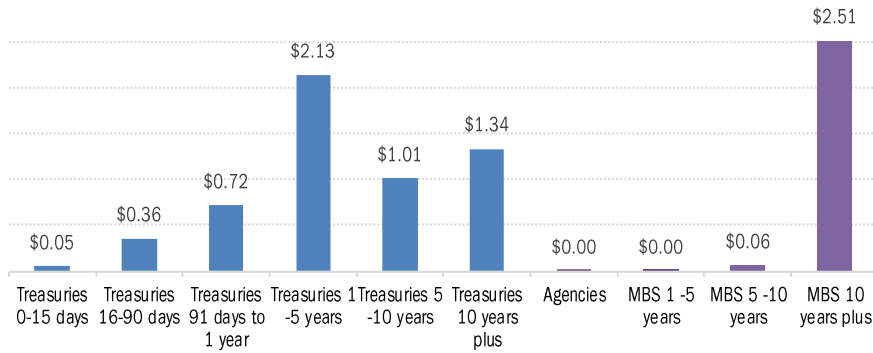
Source: [Cleveland Fed](#), TrendMacro calculations

The Fed's assets, and how they are funded (USD billions)

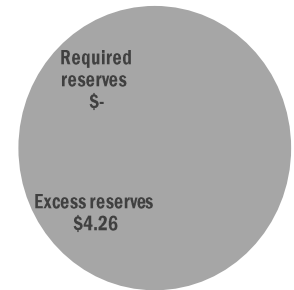


Source: Federal Reserve H.4, US Treasury, TrendMacro calculations

Sector and maturity breakdown of Fed government securities, USD trillions



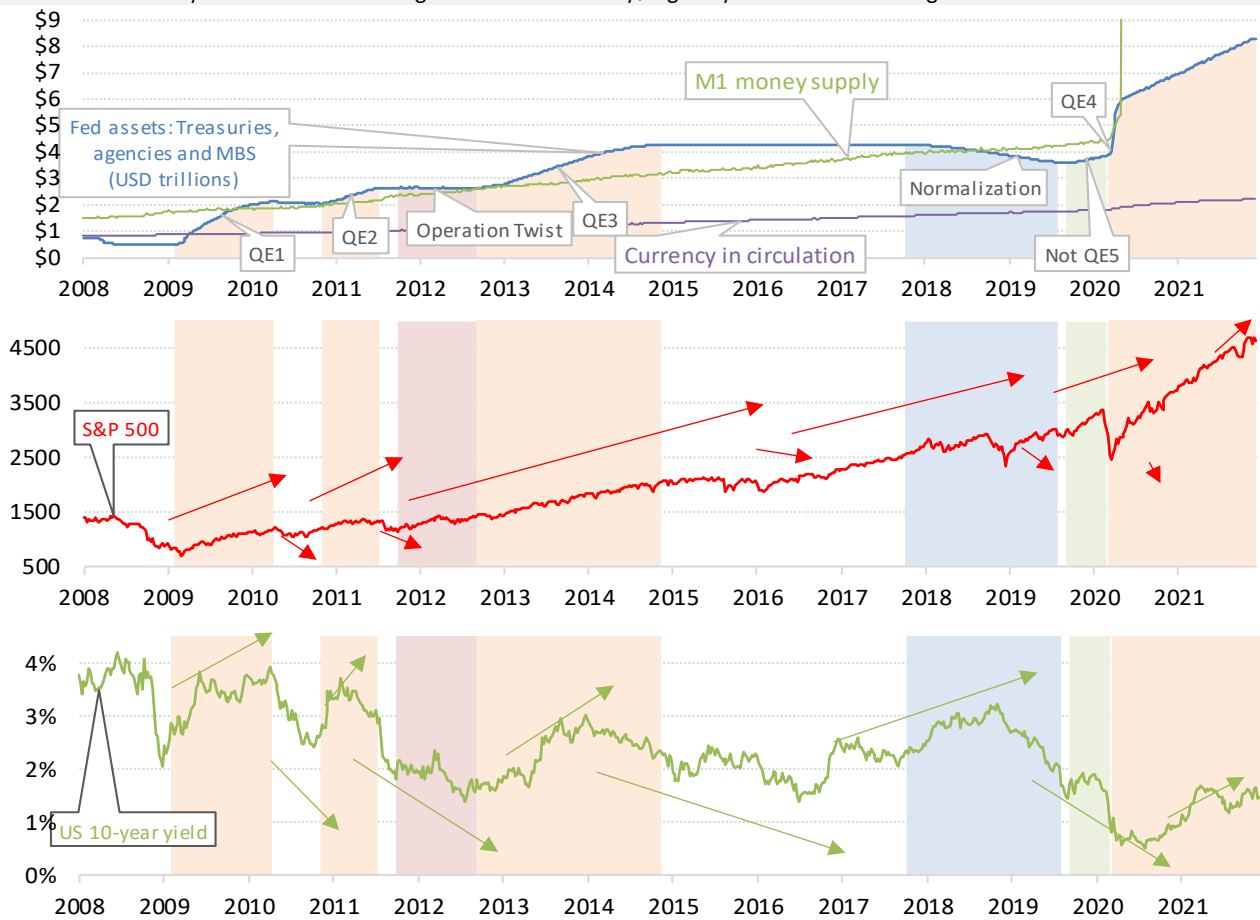
Banking reserves, USD trillions



Source: Federal Reserve, Bloomberg, TrendMacro calculations

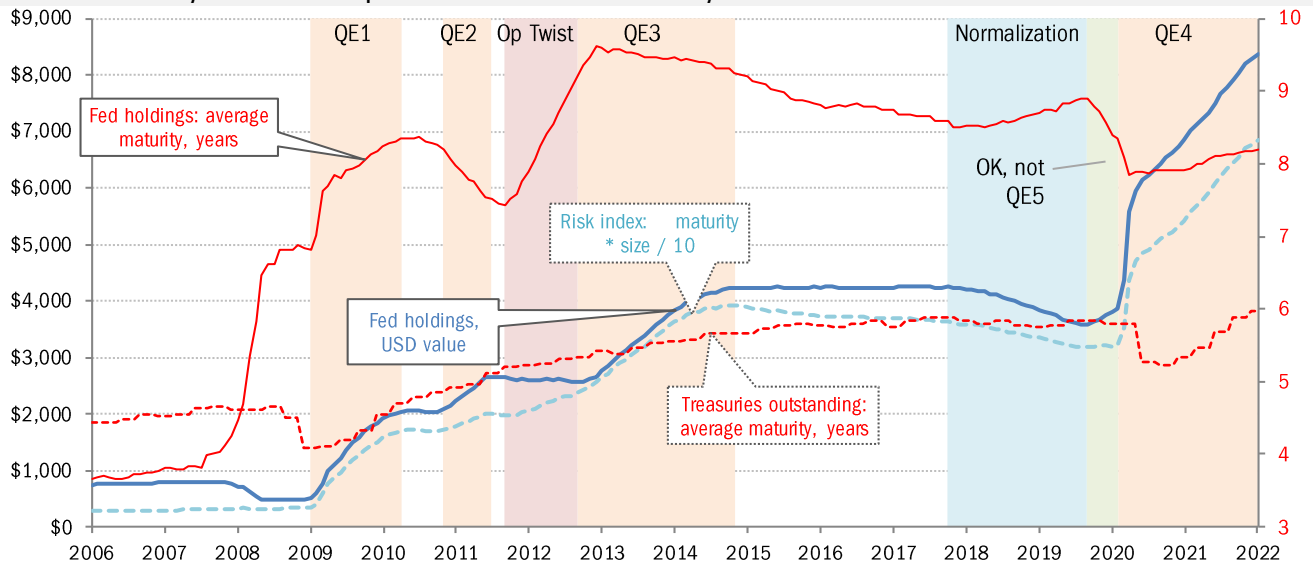
The Fed's asset purchases, and their effects on markets

Stocks and bond yields react to changes in Fed Treasury, agency and MBS holdings



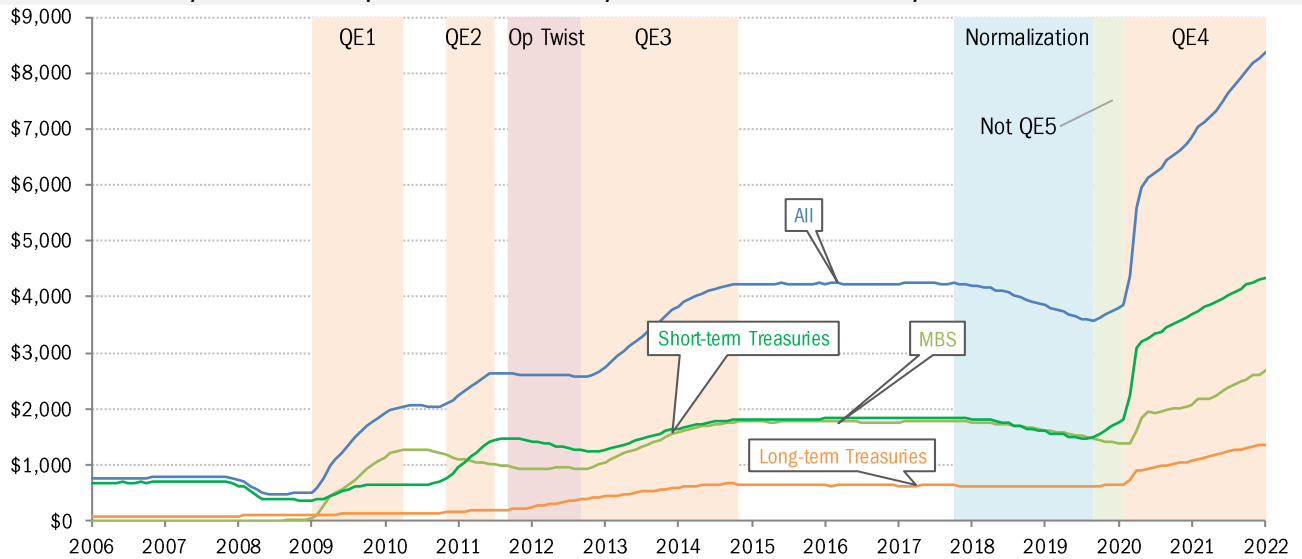
Source: Federal Reserve, Bloomberg, TrendMacro calculations

Fed Treasury and MBS portfolio: size, maturity and risk index



Source: Federal Reserve, Bloomberg, TrendMacro calculations

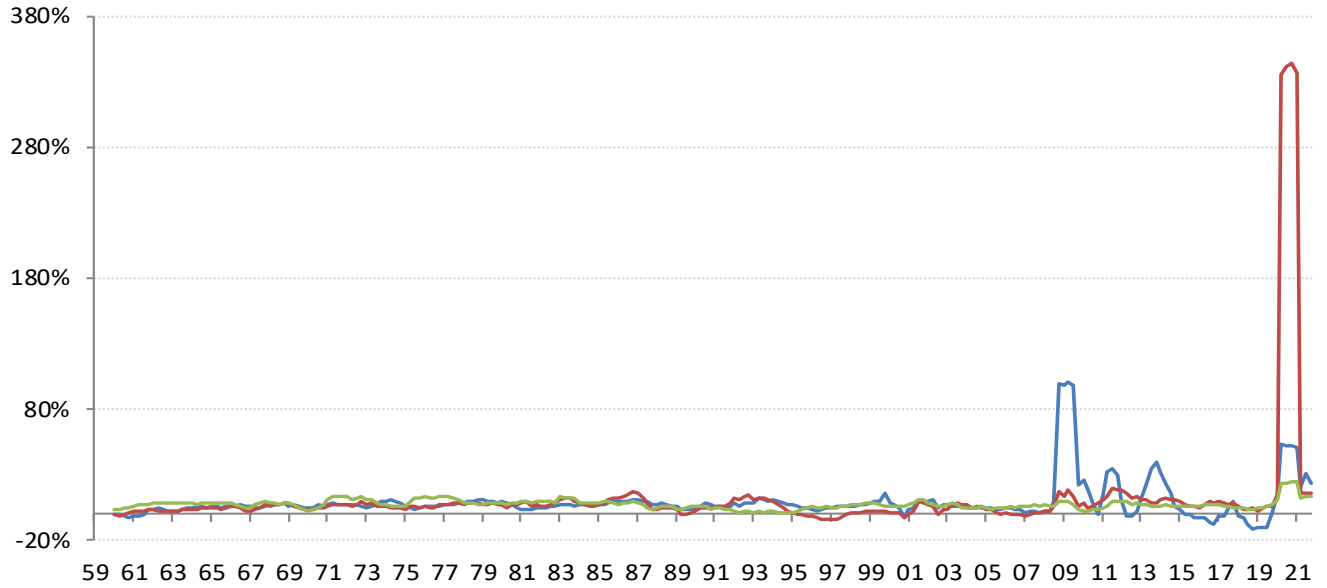
Fed Treasury and MBS portfolio: size by sector and maturity



Source: Federal Reserve, Bloomberg, TrendMacro calculations

Money supply growth, YOY quarterly

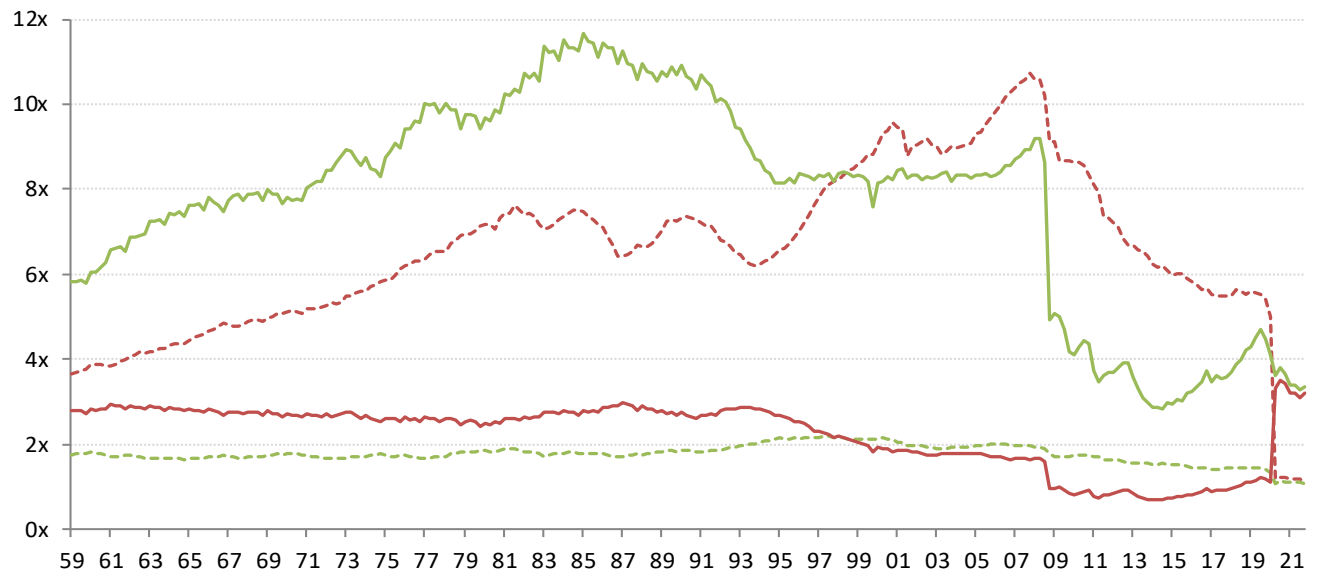
— M1 — M2 — Monetary base



Source: Federal Reserve H.6, TrendMacro calculations

Monetary velocity, quarterly

— M1 base multiplier - - - M1 output multiplier — M2 base multiplier - - - M2 output multiplier



Source: BEA, Federal Reserve H.6, TrendMacro calculations