

## Data Insights: Federal Reserve

Wednesday, March 16, 2022

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

[March 16](#), 2022

#### Federal Reserve issues FOMC statement

For release at 2:00 p.m. ~~EST~~EDT

Indicators of economic activity and employment have continued to strengthen. ~~The sectors most adversely affected by the pandemic have improved in recent months but are being affected by the recent sharp rise in COVID-19 cases.~~ Job gains have been ~~solid~~strong in recent months, and the unemployment rate has declined substantially. ~~Supply~~Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic ~~and~~, higher energy prices, and broader price pressures.

The invasion of Ukraine by Russia is causing tremendous human and economic hardship. The implications for the U.S. economy are highly uncertain, but in the near term the reopening of the economy have continued invasion and related events are likely to contribute to elevated levels of create additional upward pressure on 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 and weigh on economic activity.

~~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. With appropriate firming in the stance of monetary policy, the Committee expects inflation to return to its 2 percent objective and the labor market to remain strong. 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 well above 2 percent and a strong labor market, the Committee expects it will soon be appropriate to raise the target range for the federal funds rate. The~~ to 1/4 to 1/2 percent and anticipates that ongoing increases in the target range will be appropriate. In addition, the Committee ~~decided to continue to reduce the monthly pace of its net asset purchases, bringing them to an end in early March. Beginning in February, the Committee will increase~~expects to begin reducing its holdings of Treasury securities ~~by at least \$20 billion per month and of agency debt and agency mortgage-backed securities by at least \$10 billion per month. 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 at a coming meeting.~~

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.

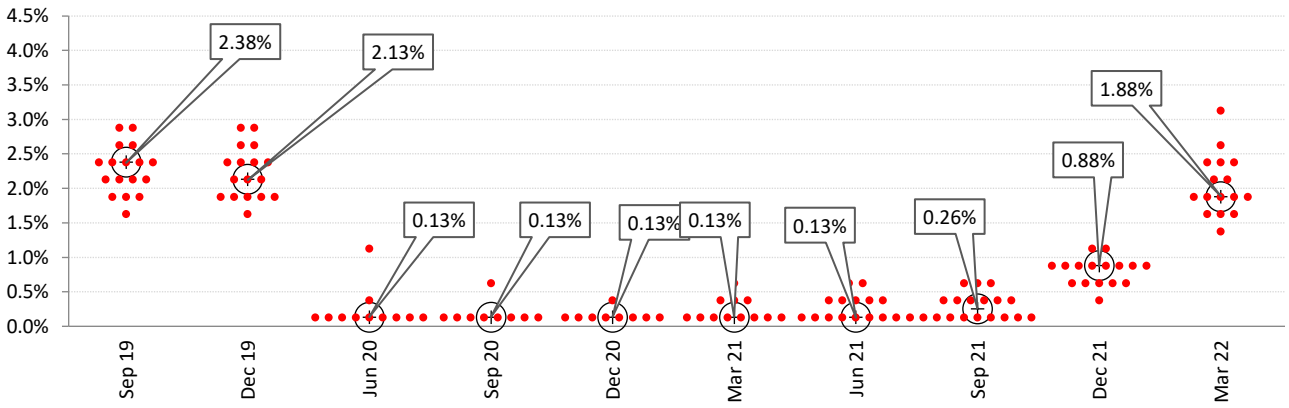
Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michelle W. Bowman; Lael Brainard; ~~James Bullard~~; Esther L. George; Patrick Harker; Loretta J. Mester; and Christopher J. Waller. Voting against this action was James Bullard, who preferred at this meeting to raise the target range for the federal funds rate by 0.5 percentage point to 1/2 to 3/4 percent. Patrick Harker voted as an alternate member at this meeting.

Source: FOMC, TrendMacro analysis

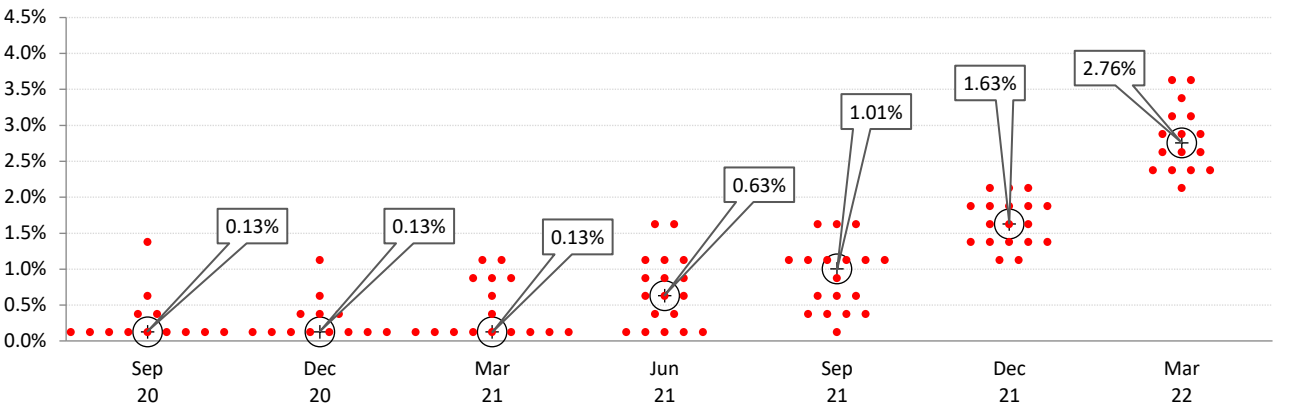
# Tracking the "dotplots" year by year

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

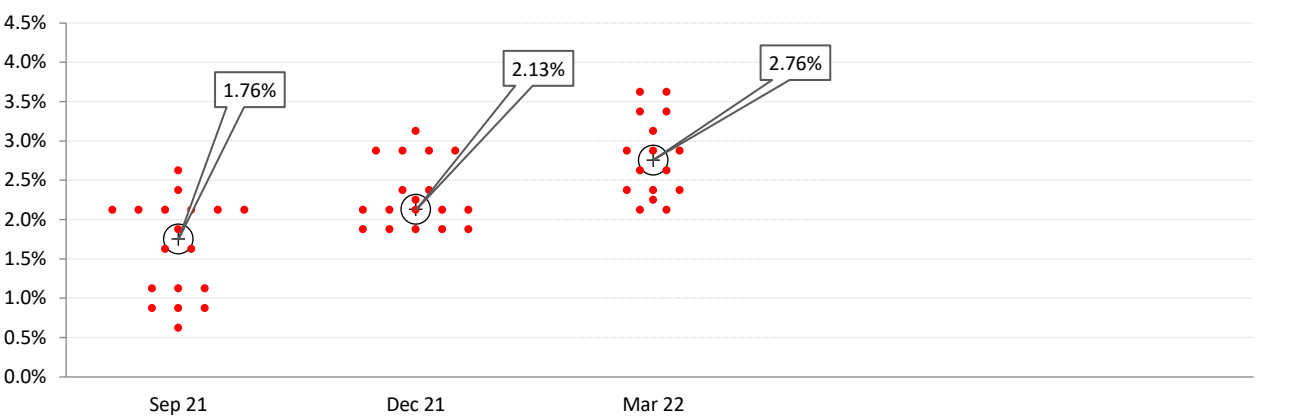
## For year-end 2022



## For year-end 2023



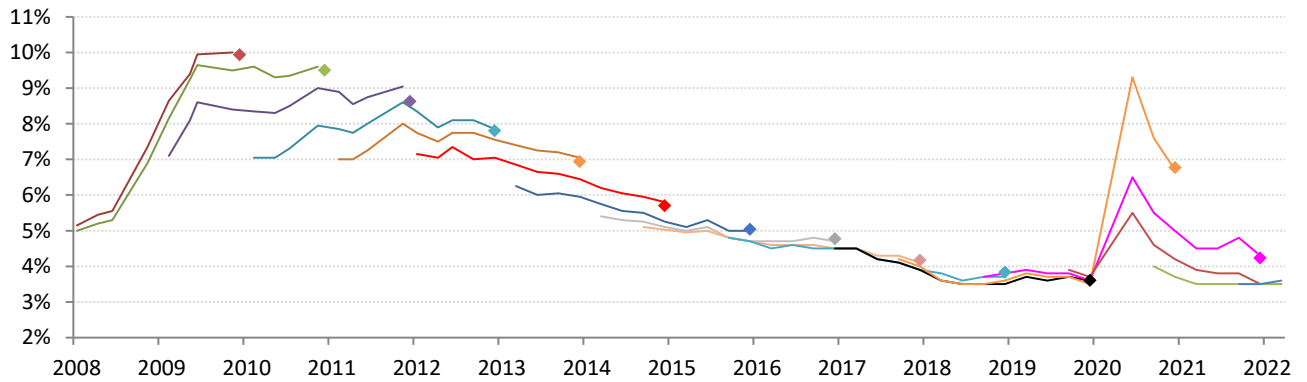
## For year-end 2024



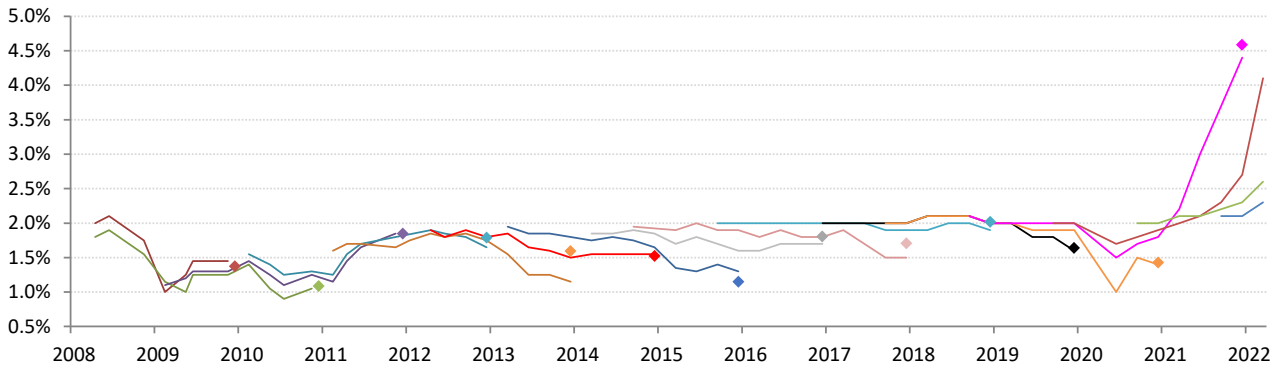
## Forecast v actual: [economic projections](#) FRB and presidents

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

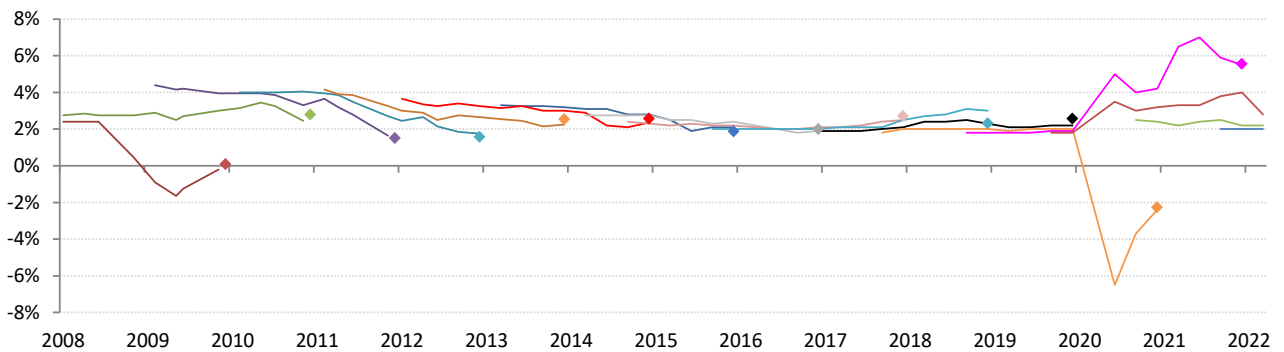
### Unemployment



### Core PCE inflation



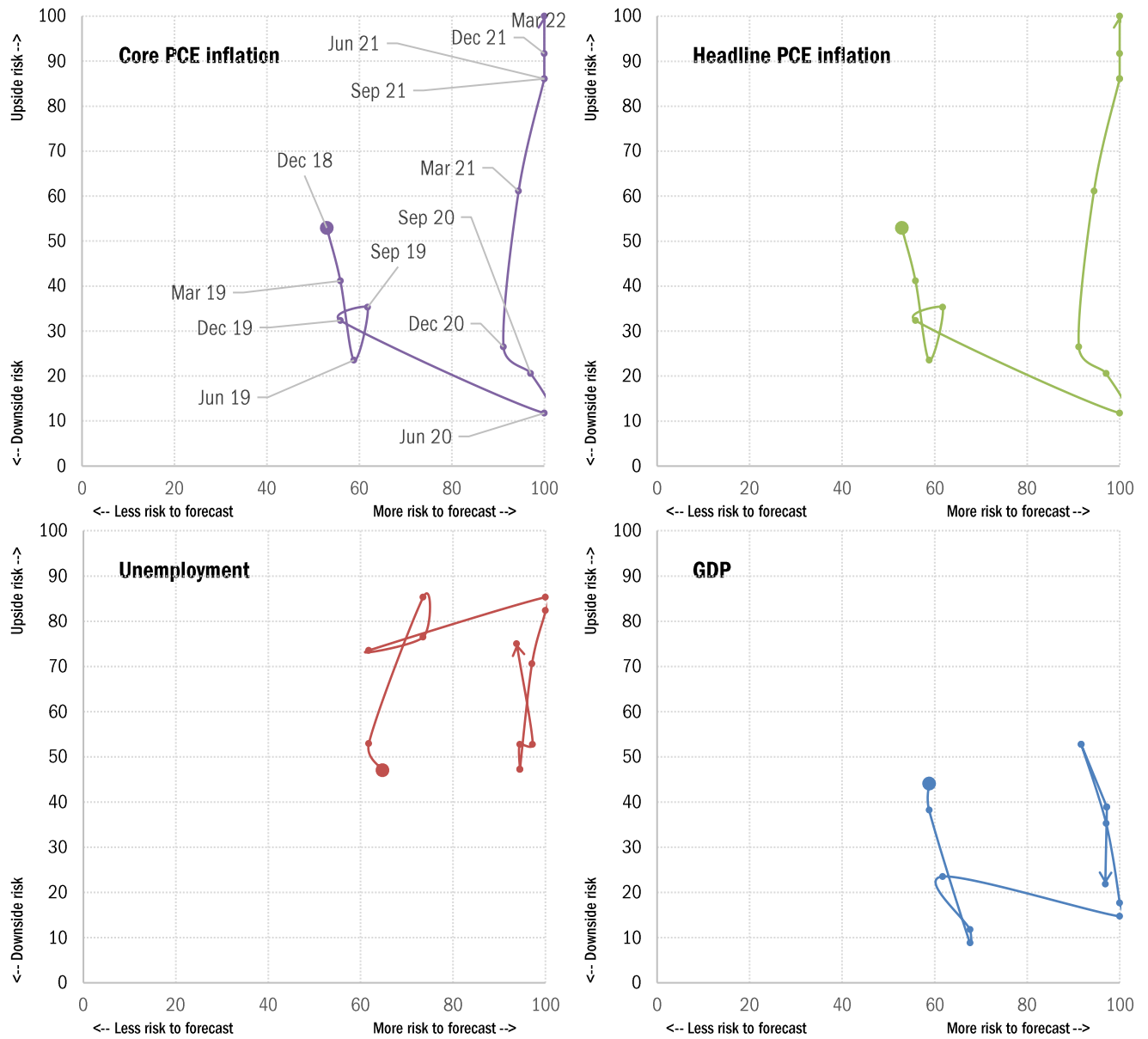
### Real GDP



Source: Federal Reserve, BEA, BLS, TrendMacro calculations

# The evolution of uncertainty

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

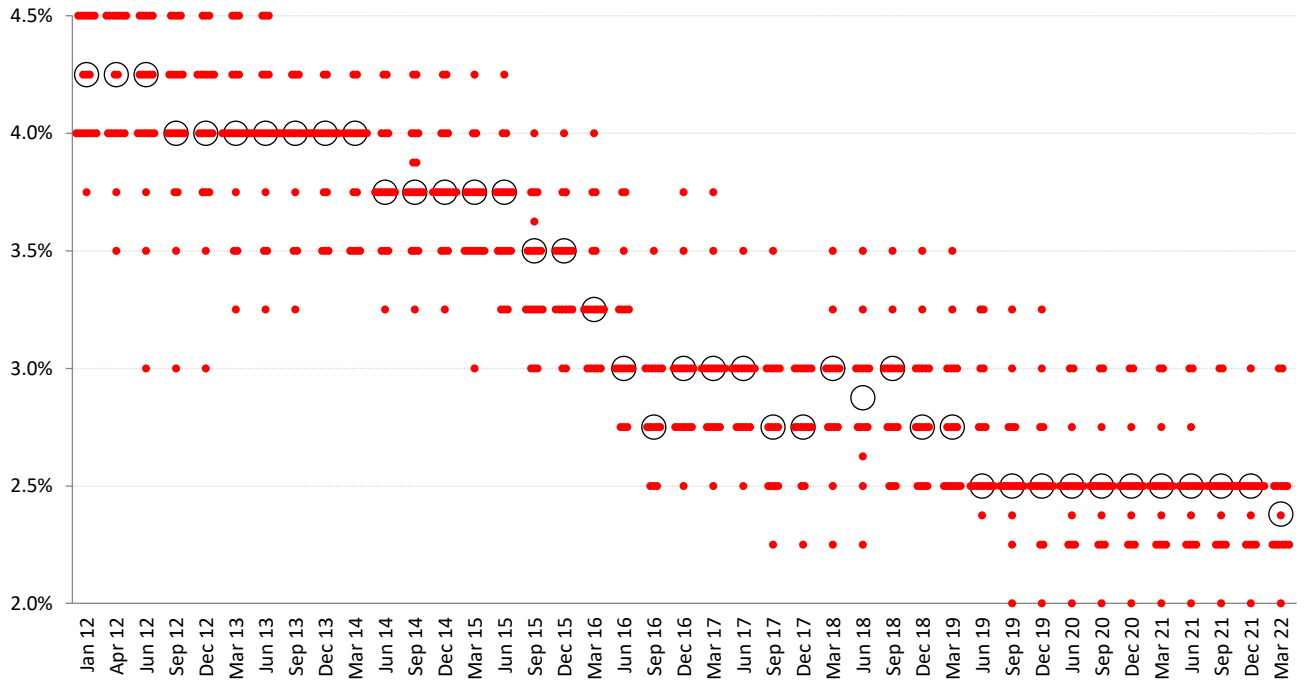


Source: Federal Reserve Board, TrendMacro calculations

# "R-star" – the ultimate dot-plot

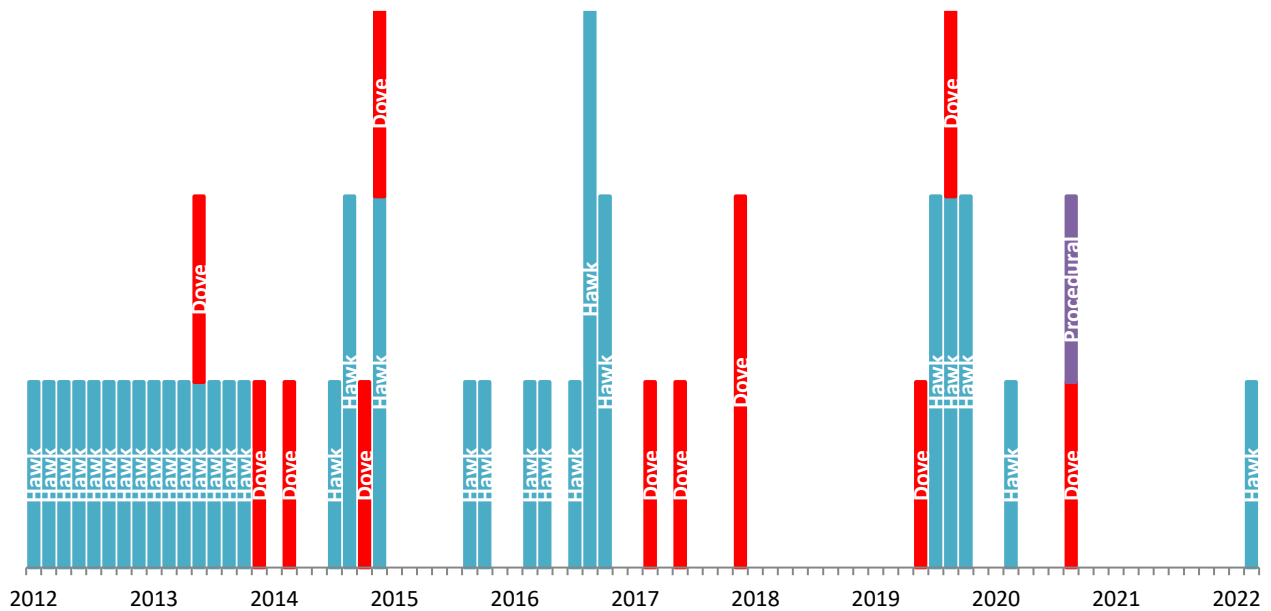
FOMC participants' estimate of "longer run" target funds rate

● Individual participant ○ Median



Source: Federal Reserve, TrendMacro calculations

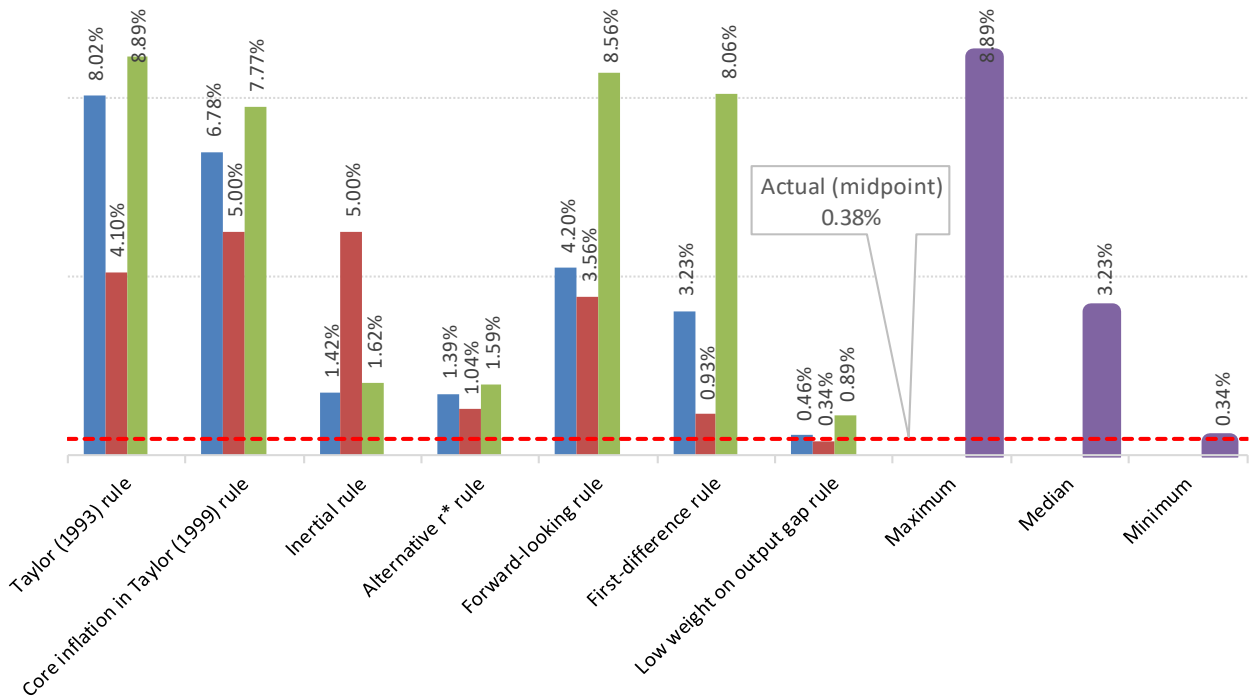
## Other voices: number and direction of FOMC decision dissents



Source: FOMC, TrendMacro calculations

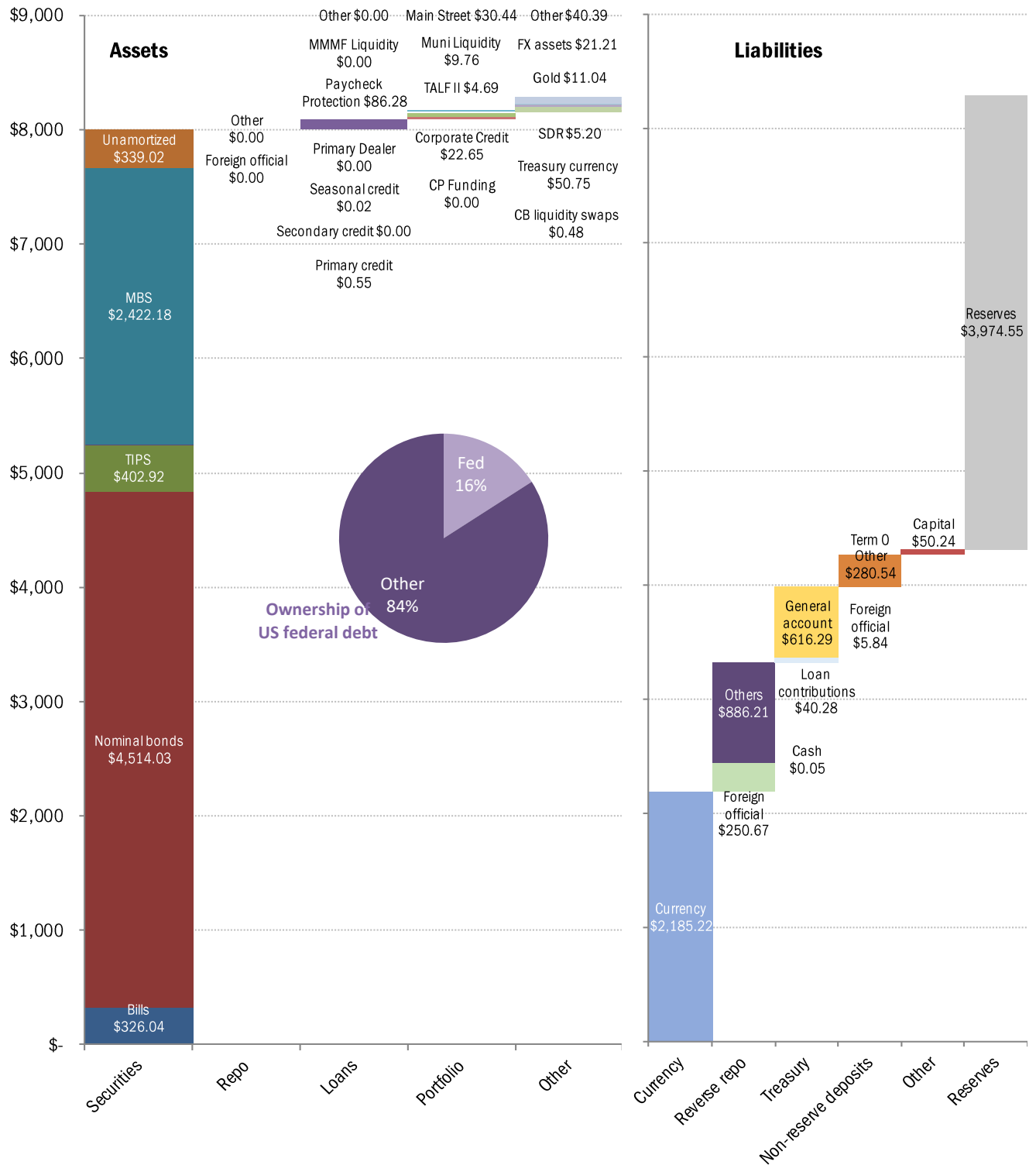
## So many policy rules, so little time...

As of March 1, 2021 Based on inputs from: FOMC SEP (blue), CBO (red), Cleveland Fed (green)



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

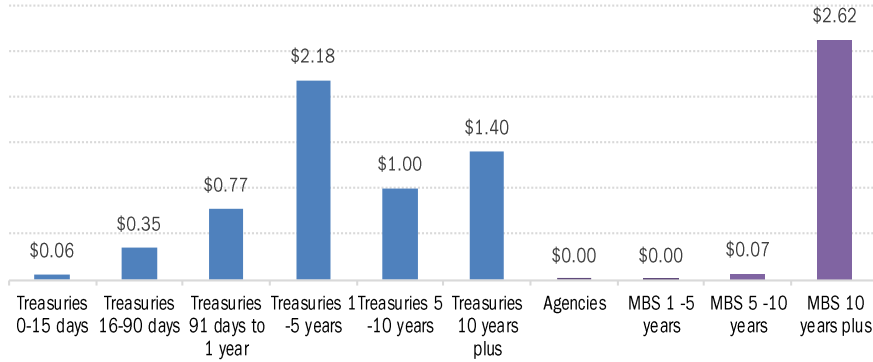
# The Fed's assets, and how they are funded (USD billions)



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



## Sector and maturity breakdown of Fed government securities, USD trillions



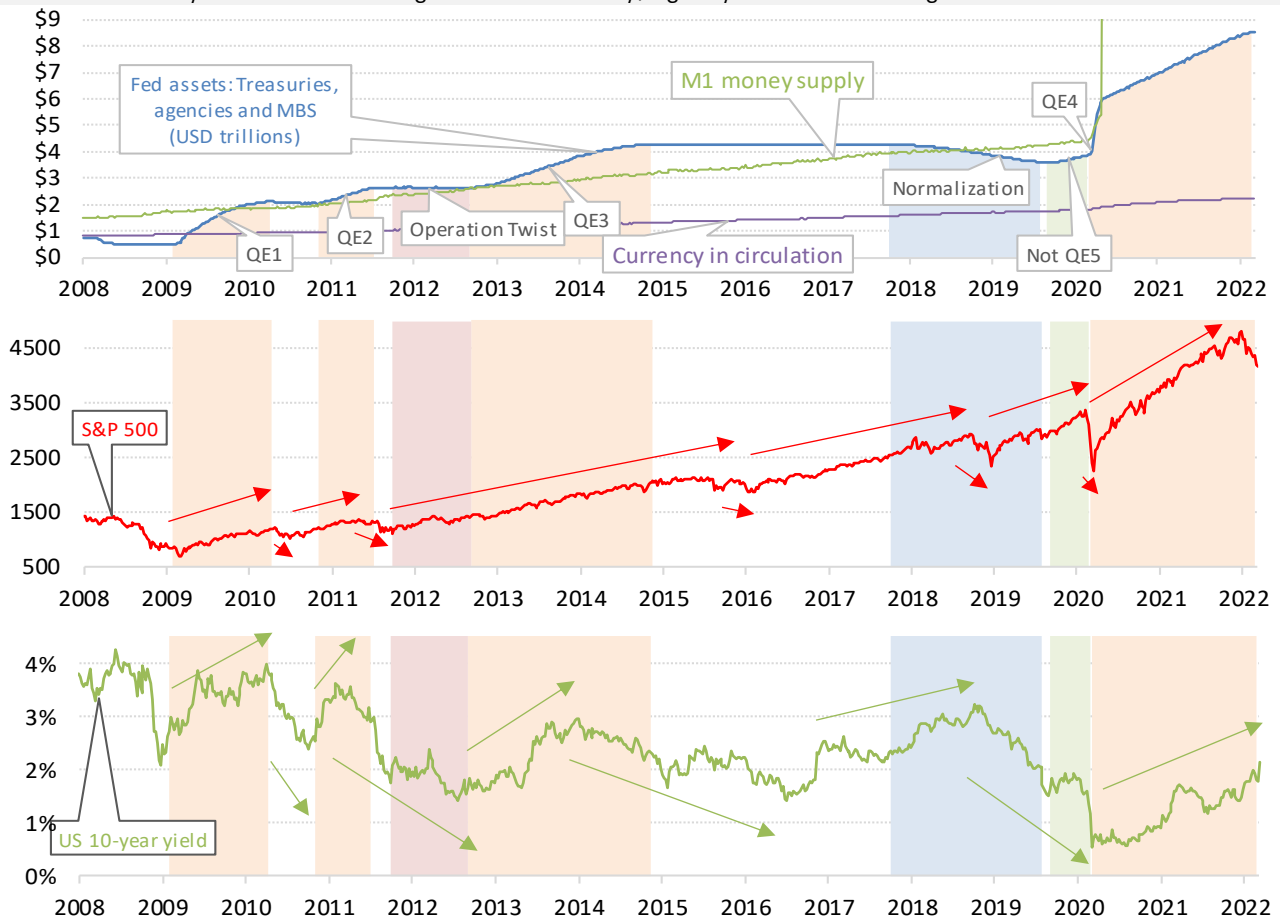
## Banking reserves, USD trillions



Source: Federal Reserve, Bloomberg, TrendMacro calculations

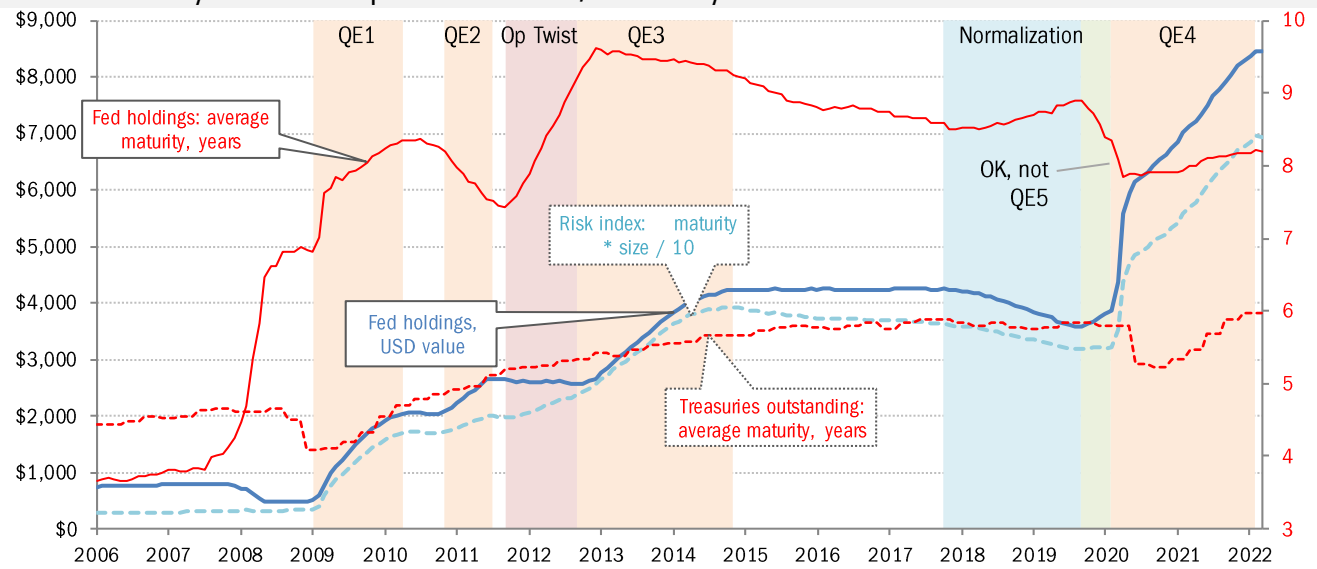
## The Fed's asset purchases, and their effects on markets

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



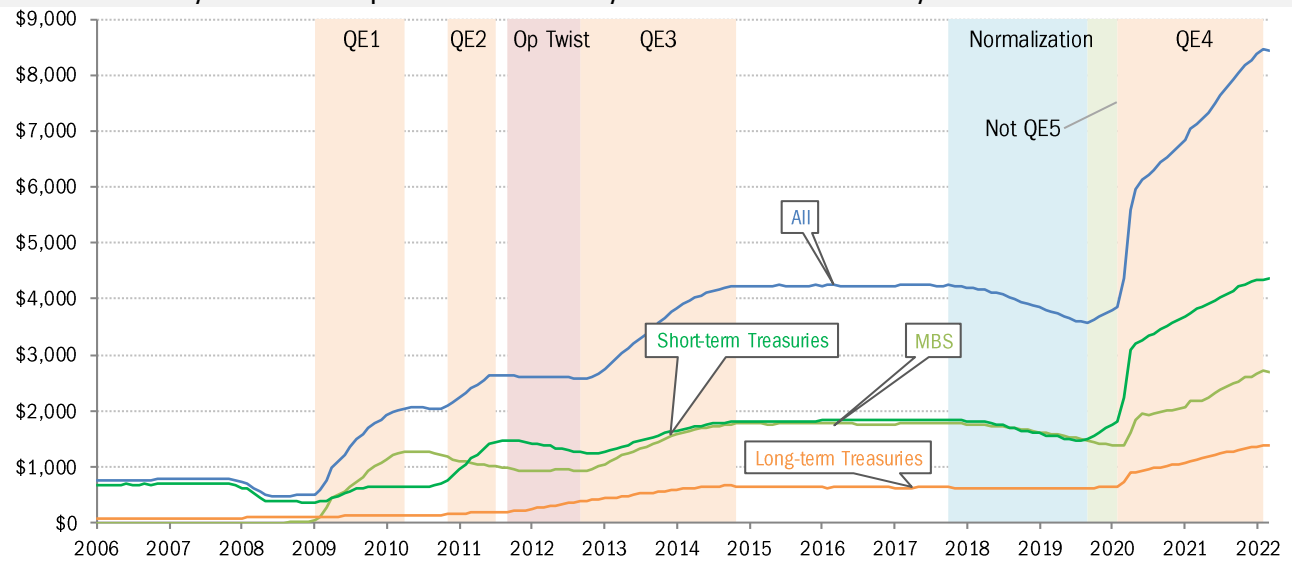
Source: Federal Reserve, Bloomberg, TrendMacro calculations

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



Source: Federal Reserve, Bloomberg, TrendMacro calculations

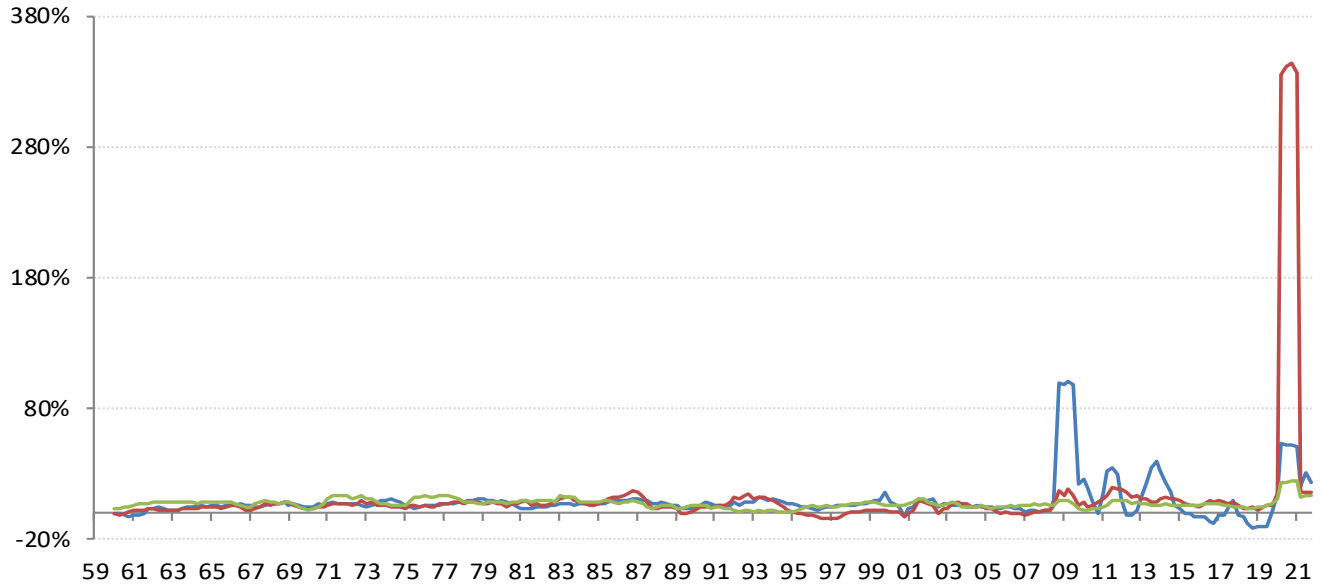
## Fed Treasury and MBS portfolio: size by sector and maturity



Source: Federal Reserve, Bloomberg, TrendMacro calculations

## Money supply growth, YOY quarterly

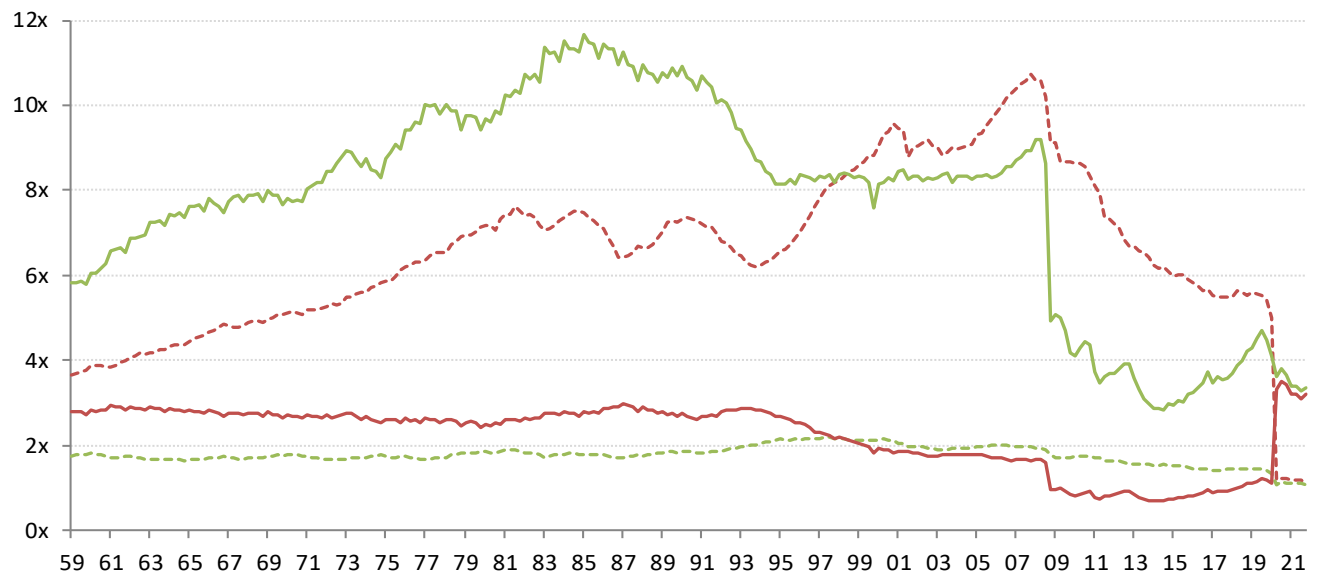
— M1 — M2 — Monetary base



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