
Data Insights: Federal Reserve

Wednesday, July 27, 2022

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

~~June 15~~ July 27, 2022

For release at 2:00 p.m. EDT

~~Overall economic activity appears to have picked up after edging down in the first quarter. Recent indicators of spending and production have softened.~~ Job gains have been robust in recent months, and the unemployment rate has remained low. Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher food and energy prices, and broader price pressures.

~~The invasion of Russia's war against~~ Ukraine ~~by Russia~~ is causing tremendous human and economic hardship. The ~~invasion war~~ and related events are creating additional upward pressure on inflation and are weighing on global economic activity. ~~In addition, COVID-related lockdowns in China are likely to exacerbate supply chain disruptions.~~ The Committee is highly attentive to inflation risks.

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 raise the target range for the federal funds rate to ~~2-1-1/2/4~~ to ~~2-1-3/4/2~~ percent and anticipates that ongoing increases in the target range will be appropriate. In addition, the Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities, as described in the Plans for Reducing the Size of the Federal Reserve's Balance Sheet that were issued in May. The Committee is strongly committed to returning inflation to its 2 percent objective.

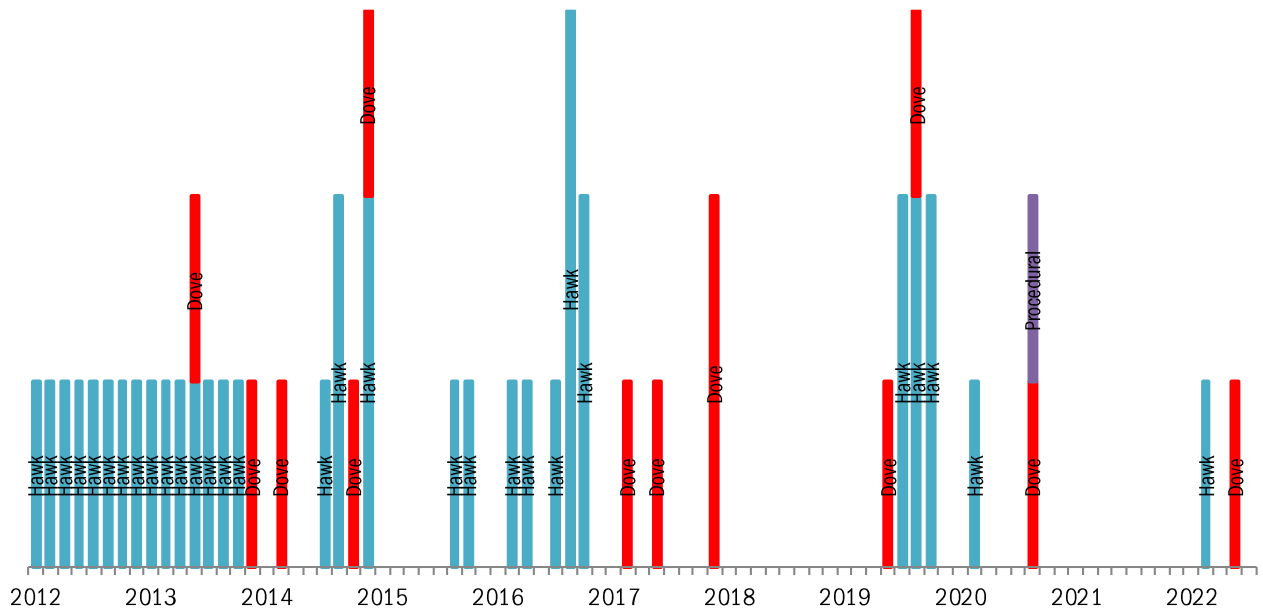
In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of 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; Michael S. Barr; Michelle W. Bowman; Lael Brainard; James Bullard; Susan M. Collins; Lisa D. Cook; ~~Patrick Harker~~ Esther L. George; Philip N. Jefferson; Loretta J. Mester; and Christopher J. Waller. ~~Voting against this action was Esther L. George, who preferred at~~

~~this meeting to raise the target range for the federal funds rate by 0.5 percentage point to 1-1/4 percent to 1-1/2 percent. Patrick Harker voted as an alternate member at this meeting.~~

Source: FOMC, TrendMacro analysis

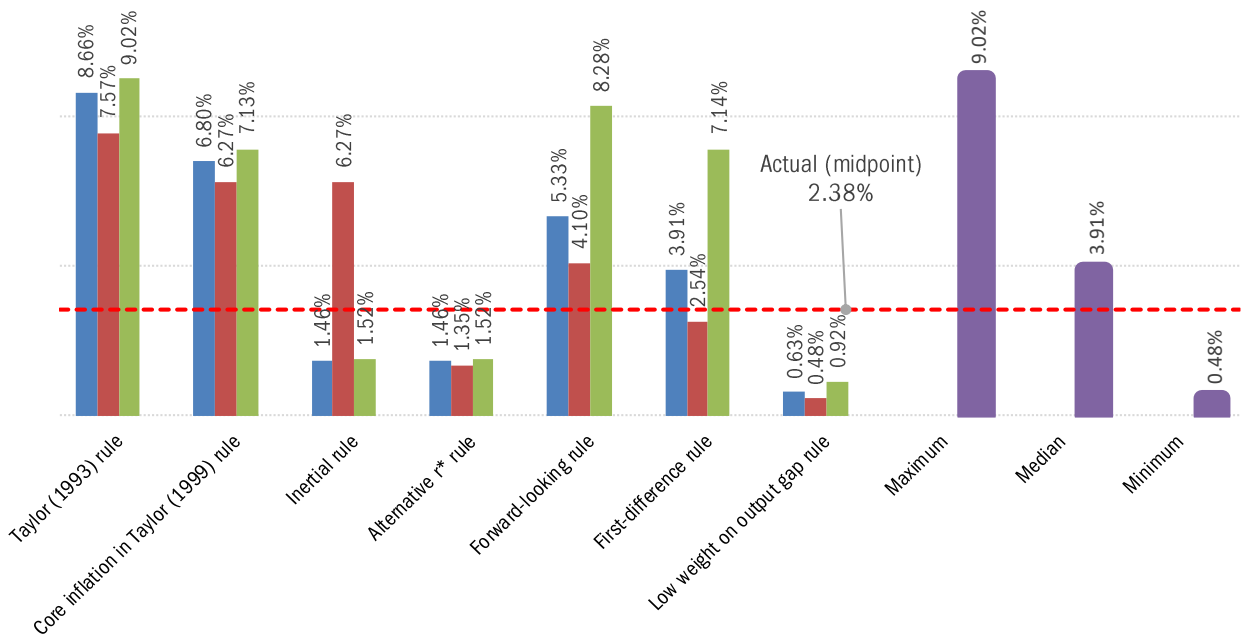
Other voices: number and direction of FOMC decision dissents



Source: FOMC, TrendMacro calculations

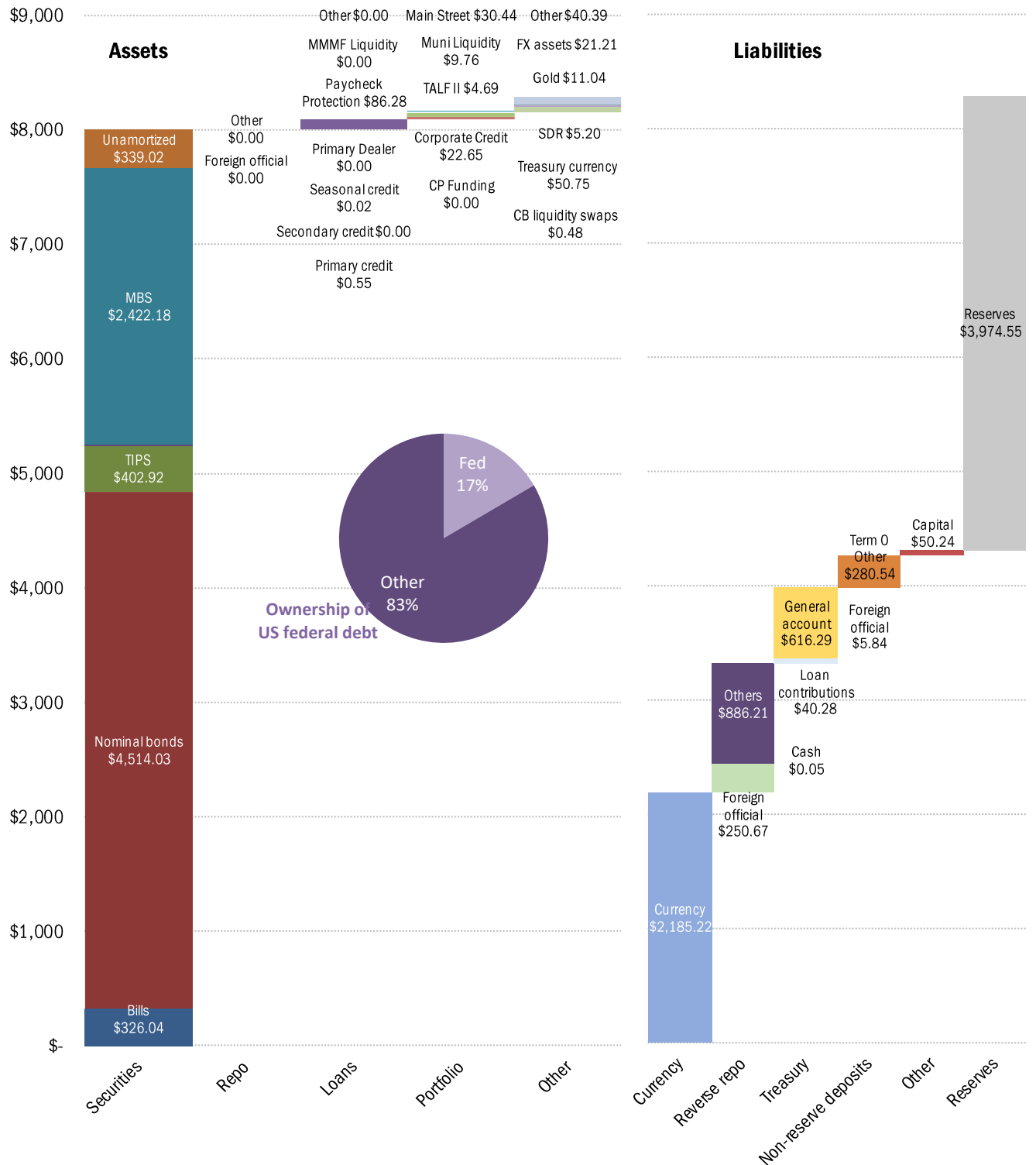
So many policy rules, so little time...

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



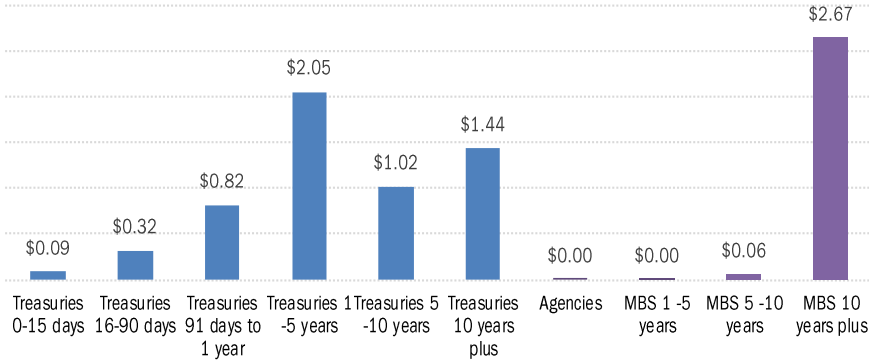
Source: [Cleveland Fed](#), TrendMacro calculations

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

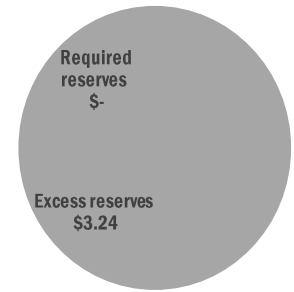


Source: Federal Reserve H.4, US Treasury, TrendMacro calculations

Sector and maturity breakdown of Fed government securities, USD trillions



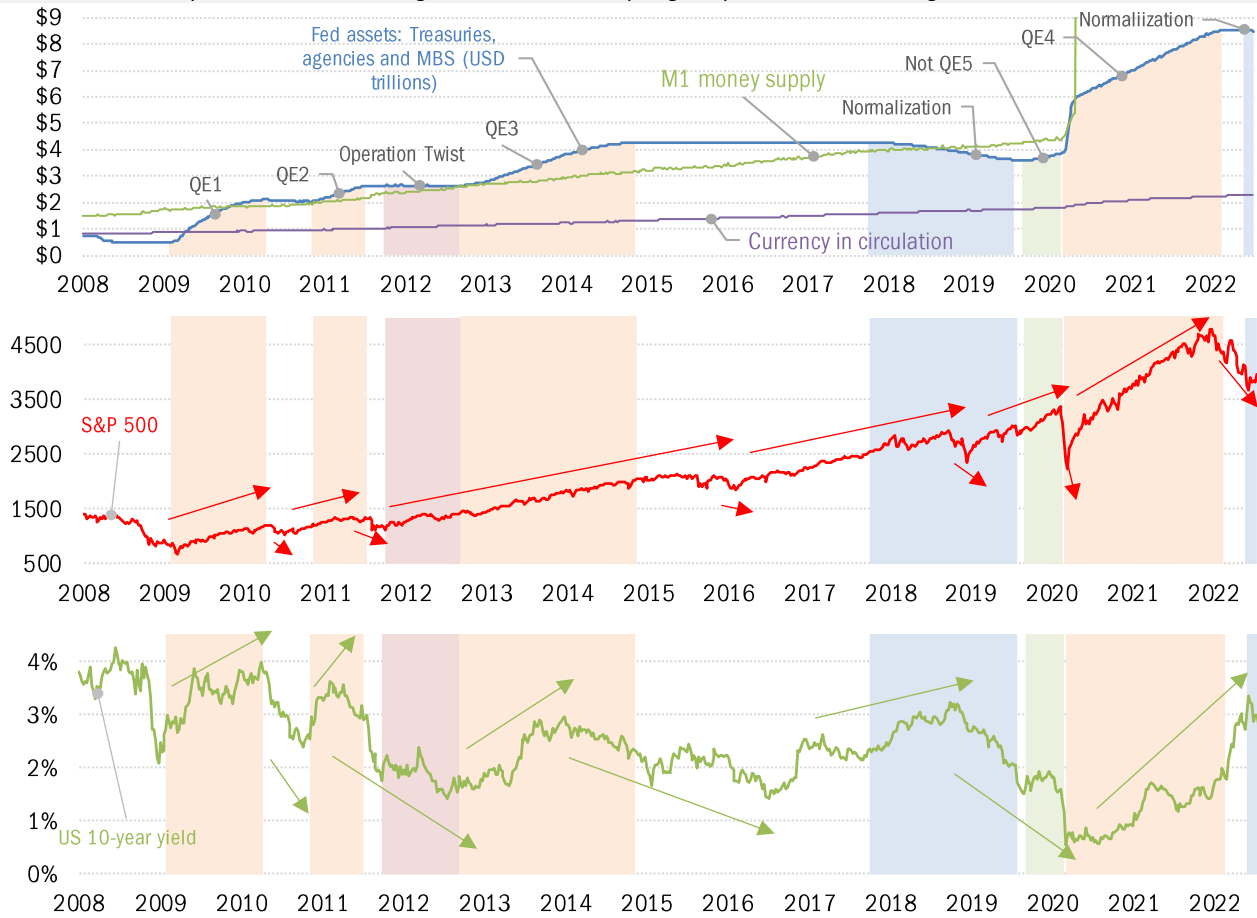
Banking reserves, USD trillions



Source: Federal Reserve, Bloomberg, TrendMacro calculations

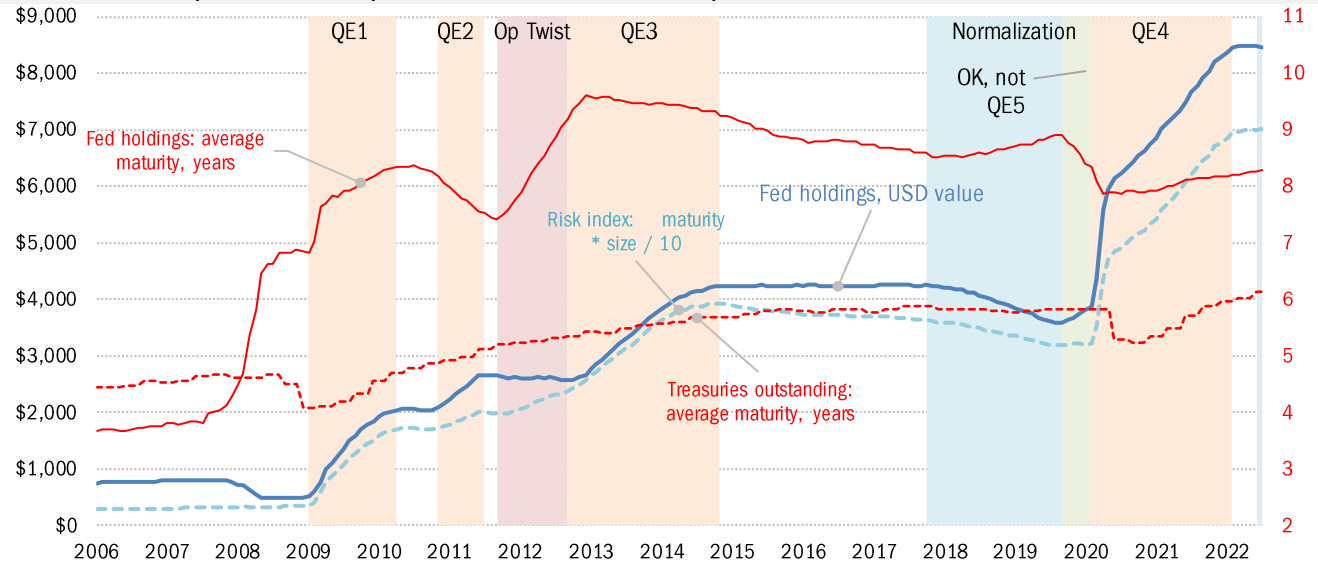
The Fed's asset purchases, and their effects on markets

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



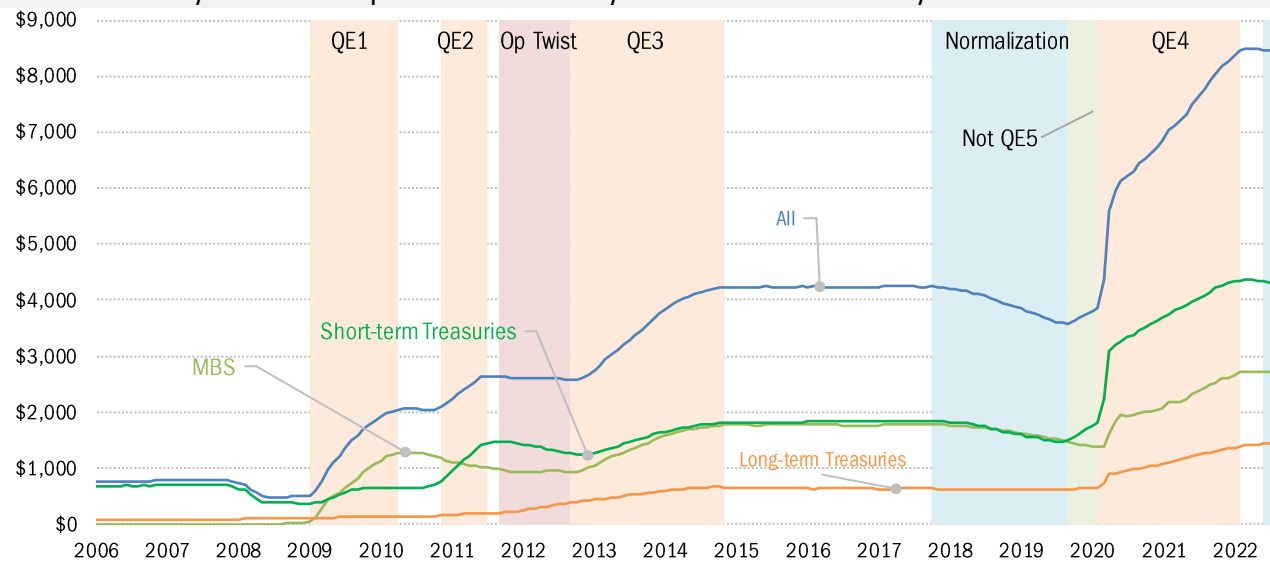
Source: Federal Reserve, Bloomberg, TrendMacro calculations

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



Source: Federal Reserve, Bloomberg, TrendMacro calculations

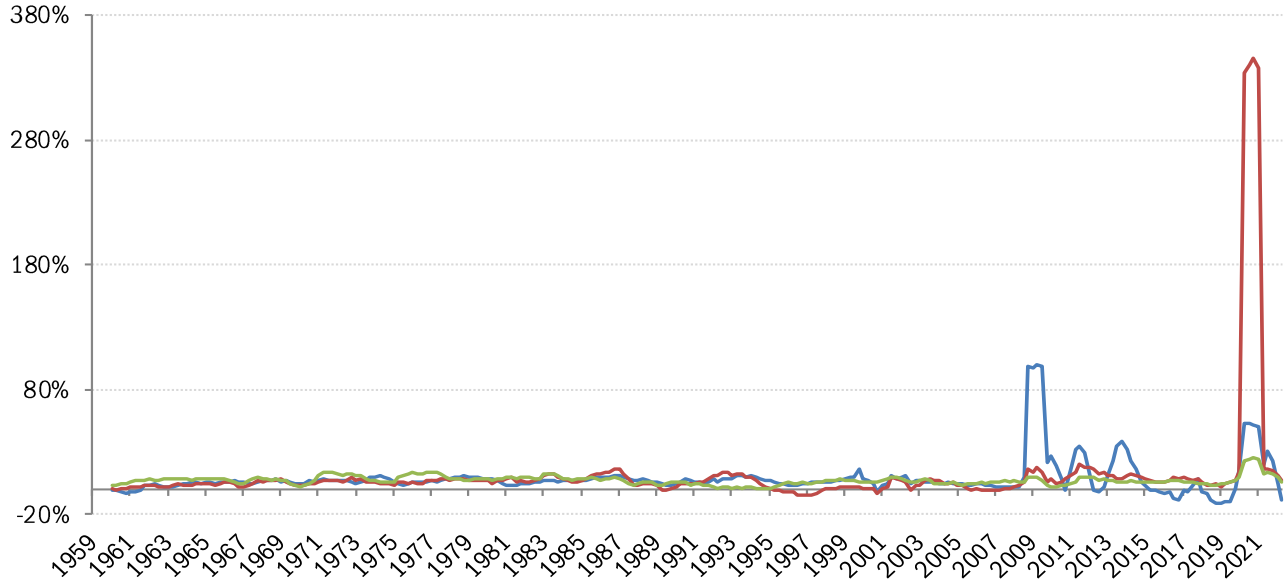
Fed Treasury and MBS portfolio: size by sector and maturity



Source: Federal Reserve, Bloomberg, TrendMacro calculations

Money supply growth, YOY quarterly

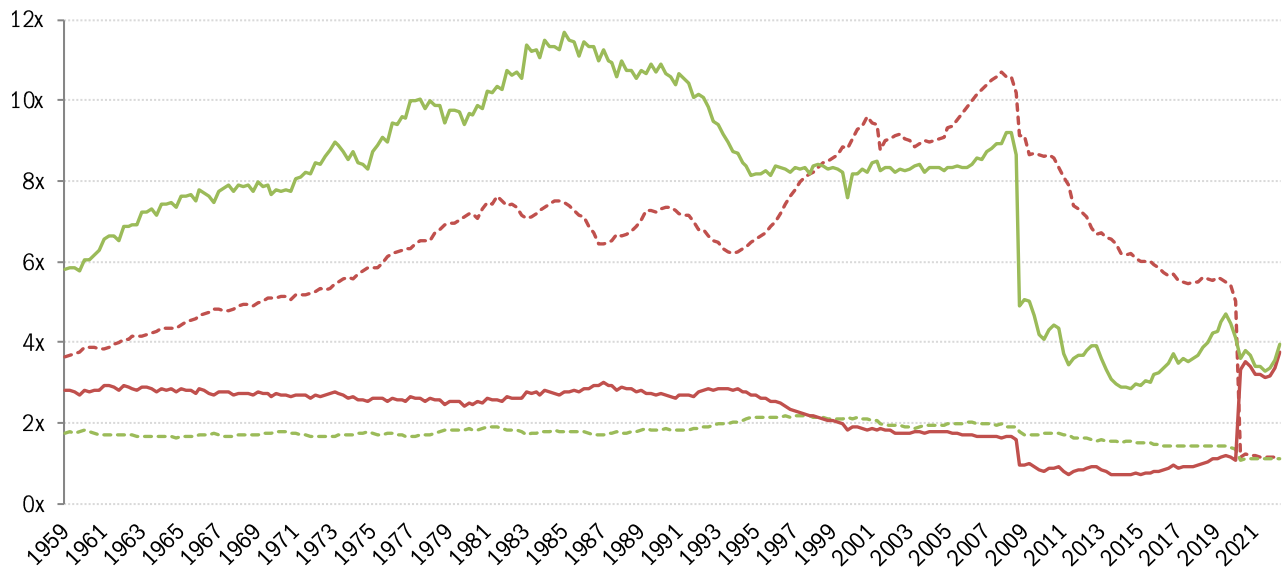
— M1 — M2 — Monetary base



Source: Federal Reserve H.6, TrendMacro calculations

Monetary velocity, quarterly

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

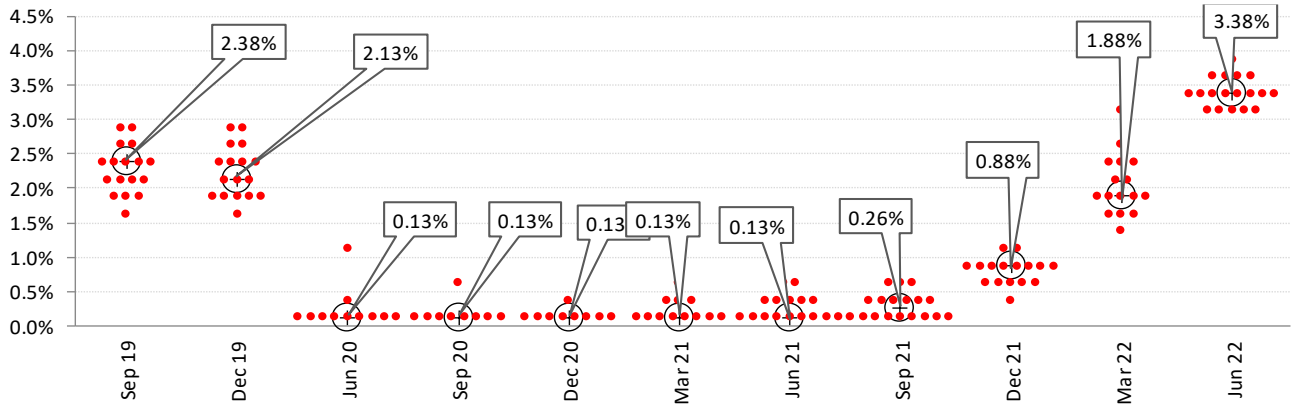


Source: BEA, Federal Reserve H.6, TrendMacro calculations

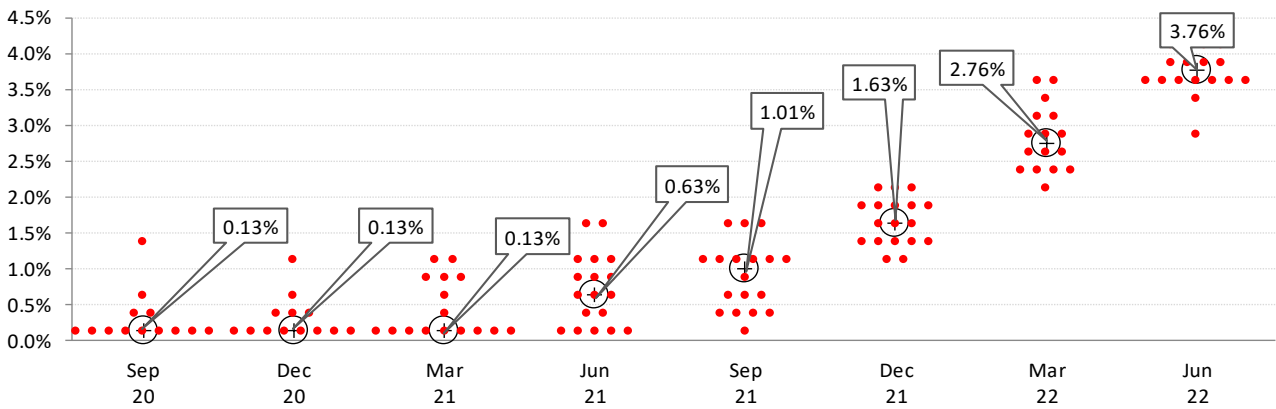
Tracking the "dotplots" year by year As of June FOMC

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

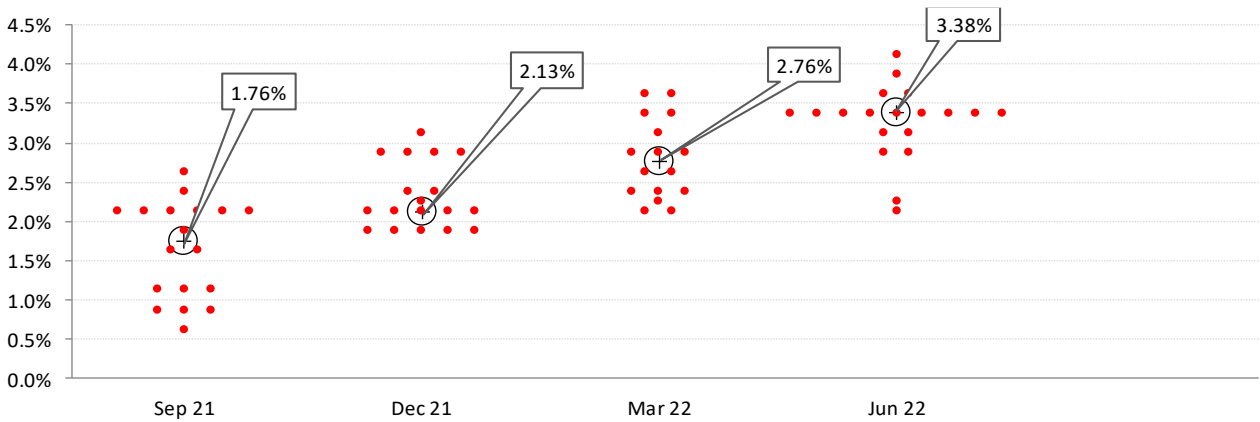
For year-end 2022



For year-end 2023



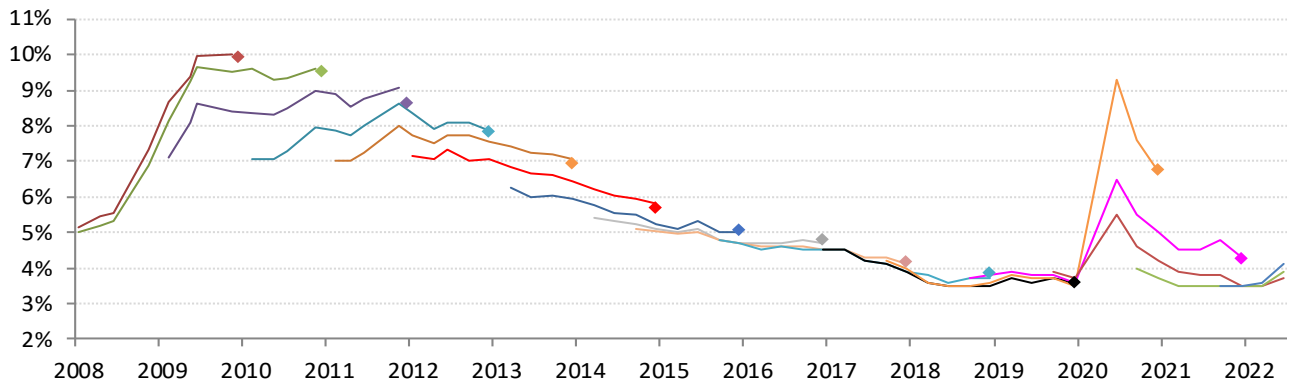
For year-end 2024



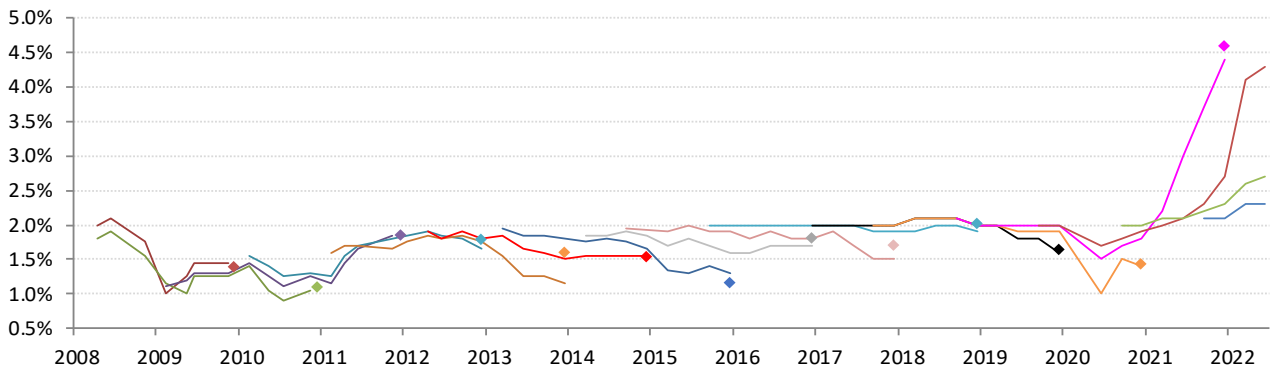
Forecast v actual: [economic projections](#) FRB and presidents As of June FOMC

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

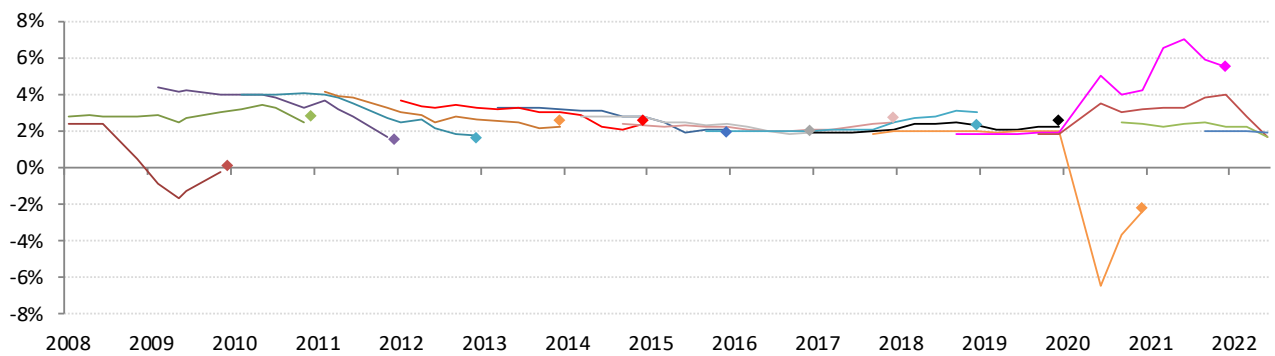
Unemployment



Core PCE inflation



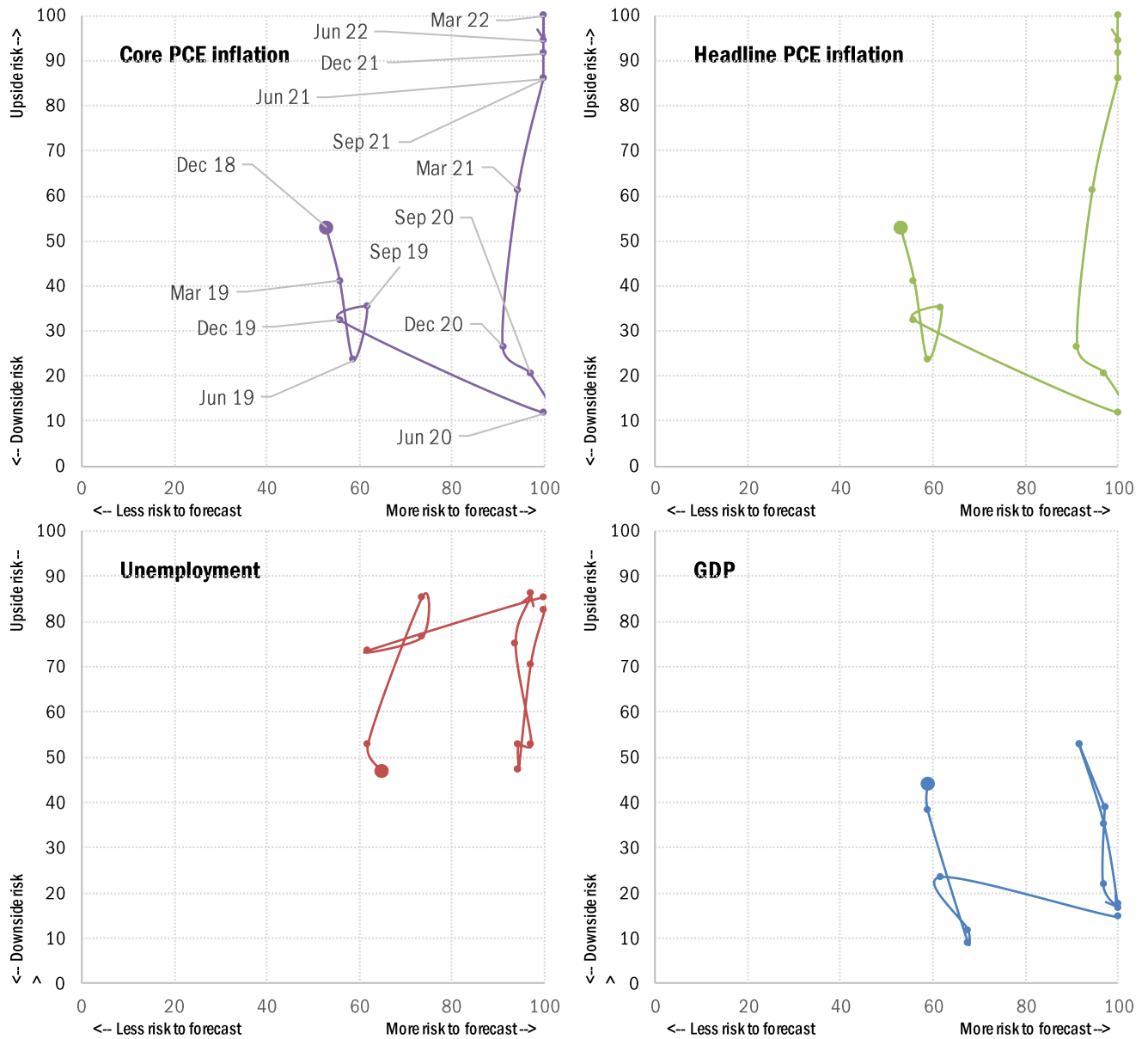
Real GDP



Source: Federal Reserve, BEA, BLS, TrendMacro calculations

The evolution of uncertainty As of June FOMC

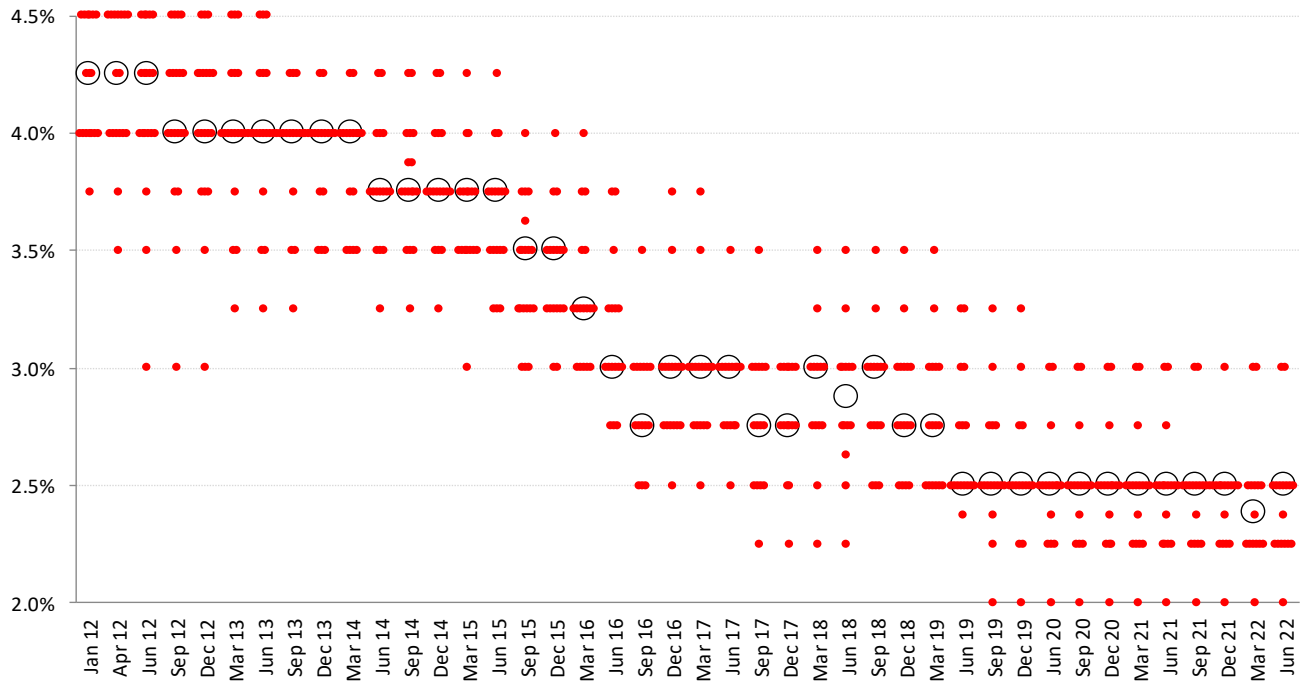
Diffusion indices from FOMC participants' risk self-assessments in [Summary of Economic Projections](#)



Source: Federal Reserve Board, TrendMacro calculations

"R-star" – the ultimate dot-plot As of June FOMC

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



Source: Federal Reserve, TrendMacro calculations