

Data Insights: Federal Reserve

Wednesday, February 1, 2023

Today's FOMC statement: how the language changed from prior meeting

~~December 14, 2022~~

February 01, 2023

Federal Reserve issues FOMC statement

Recent indicators point to modest growth in spending and production. Job gains have been robust in recent months, and the unemployment rate has remained low. Inflation has eased somewhat but remains elevated, ~~reflecting supply and demand imbalances related to the pandemic, higher food and energy prices, and broader price pressures.~~

Russia's war against Ukraine is causing tremendous human and economic hardship. ~~The war and related events are~~ contributing to ~~upward pressure on inflation and are weighing on~~ elevated global ~~economic activity~~ uncertainty. 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 4-1/42 to 4-1/23/4 percent. The Committee anticipates that ongoing increases in the target range will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time. In determining the ~~pace~~ extent of future increases in the target range, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments. 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~~ its previously announced plans. 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.

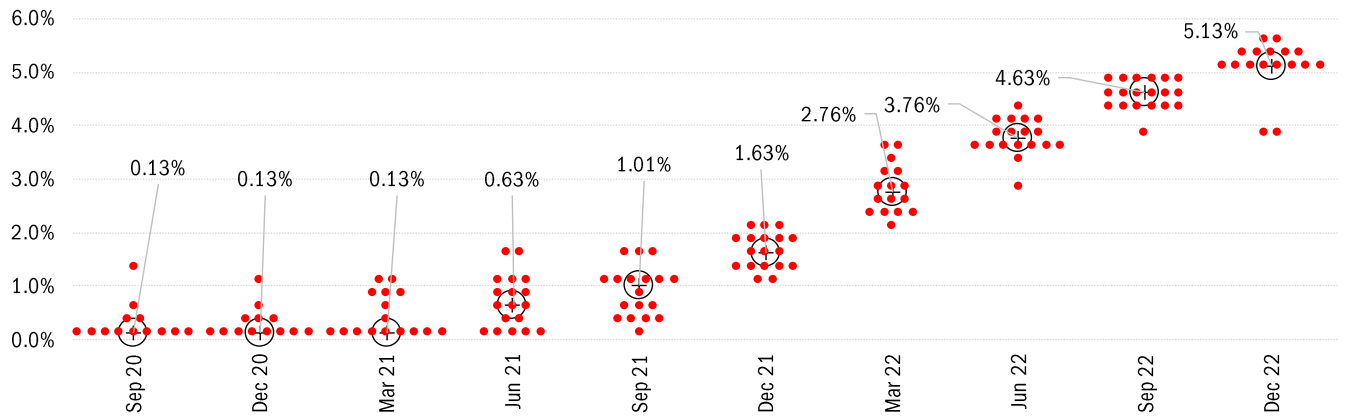
Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Lael Brainard; ~~James Bullard; Susan M. Collins;~~ Lisa D. Cook; ~~Esther L. George~~ Austan D. Goolsbee; Patrick Harker; Philip N. Jefferson; ~~Loretta J. Mester~~ Neel Kashkari; Lorie K. Logan; and Christopher J. Waller.

Source: FOMC, TrendMacro analysis

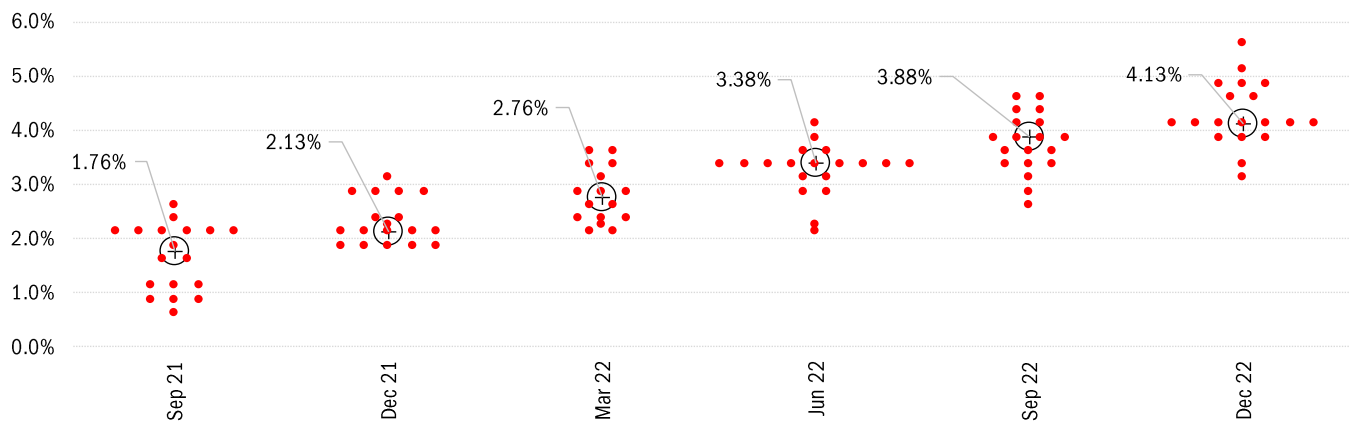
Tracking the "dotplots" year by year As of December FOMC

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

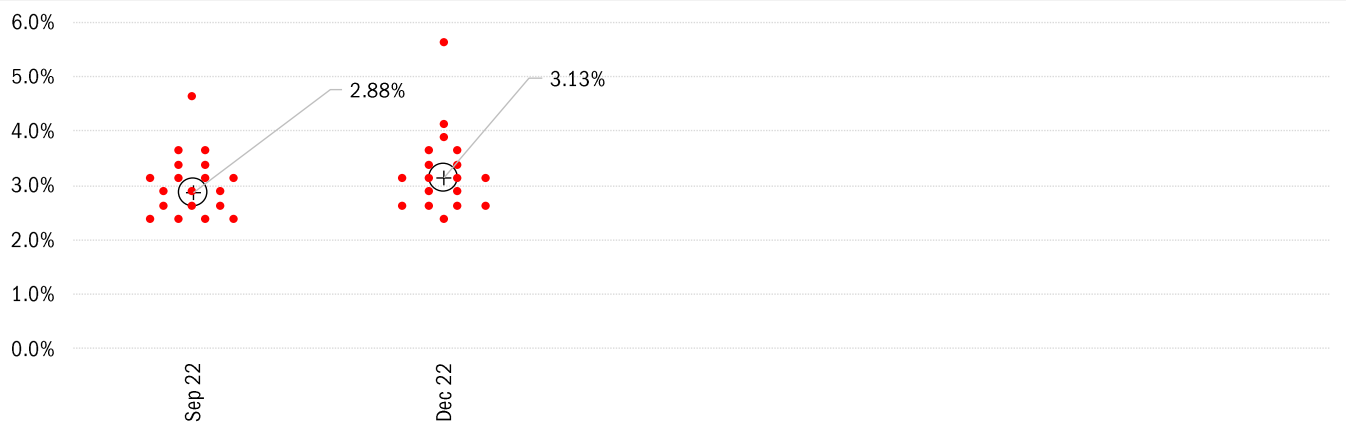
For year-end 2023



For year-end 2024



For year-end 2024

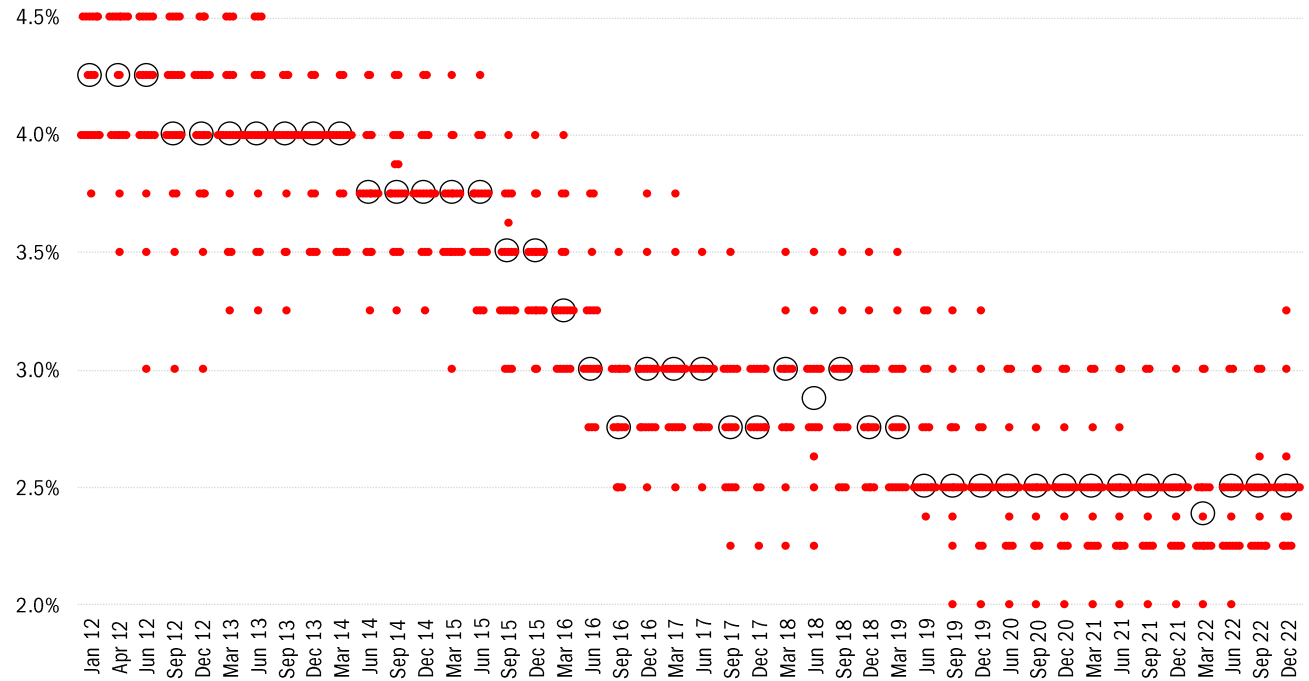


"R-star" – the ultimate dot-plot

As of December FOMC

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

● Individual participant ○ Median



Source: Federal Reserve, TrendMacro calculations

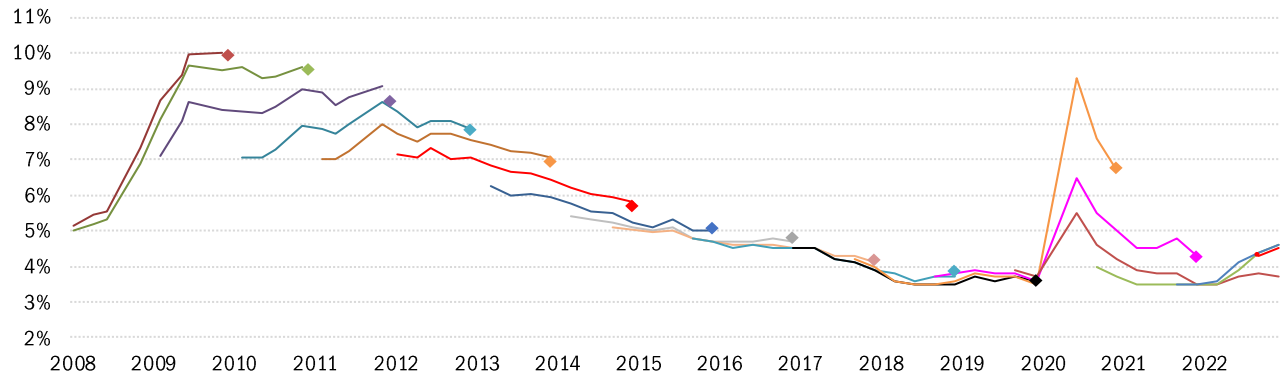
Forecast v actual: [economic projections](#) FRB and presidents

— Forecast ♦ Actual

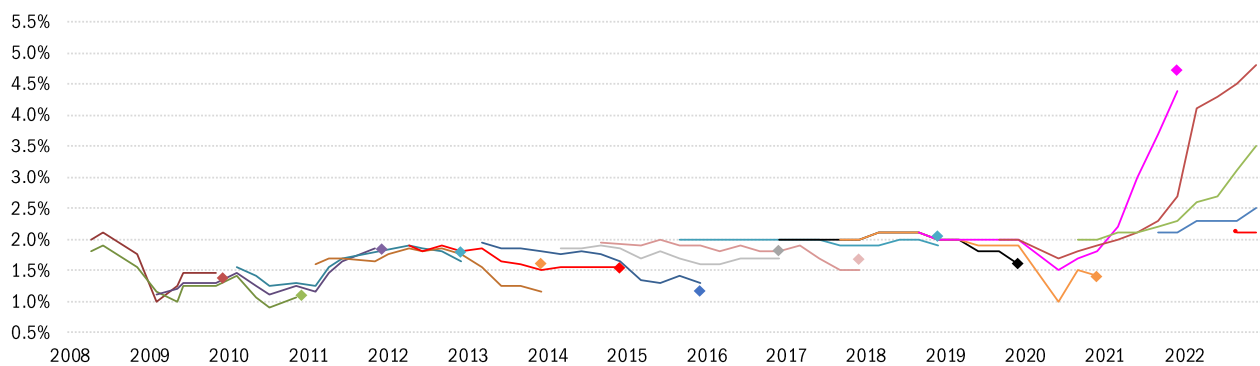
As of December FOMC

■ 2009 ■ 10 ■ 11 ■ 12 ■ 13 ■ 14 ■ 15 ■ 16 ■ 17 ■ 18 ■ 19 ■ 20 ■ 21 ■ 22 ■ 23 ■ 24 ■ 2025

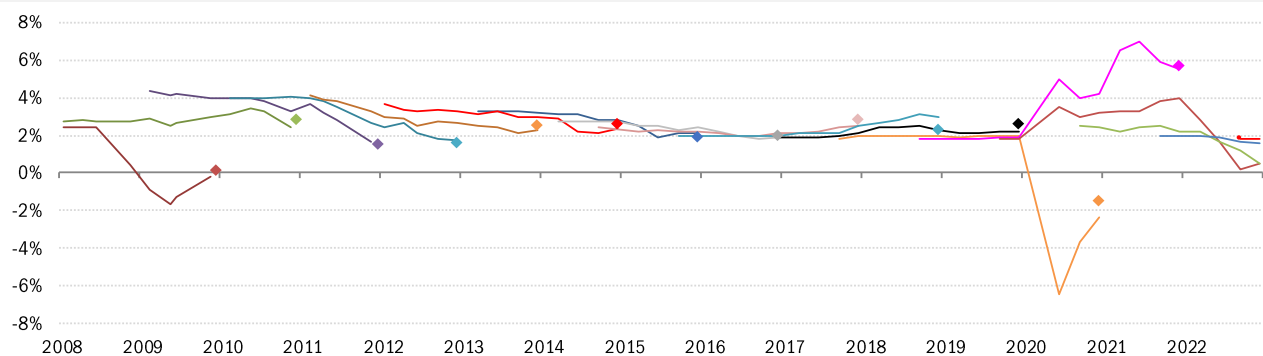
Unemployment



Core PCE inflation



Real GDP

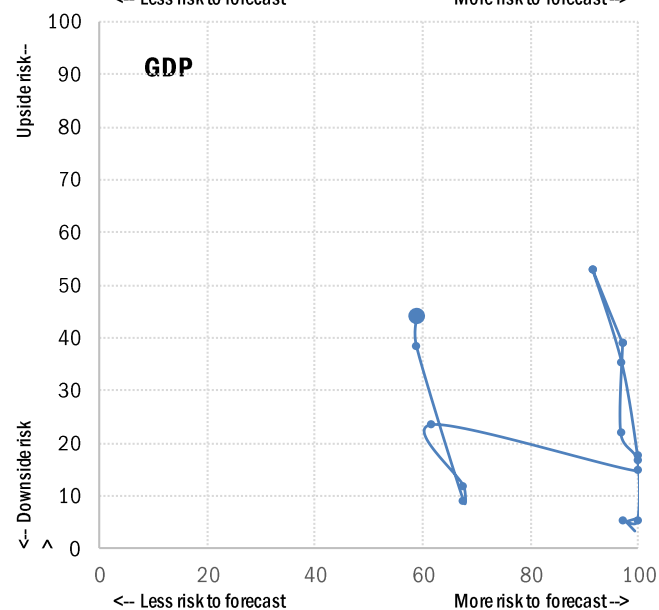
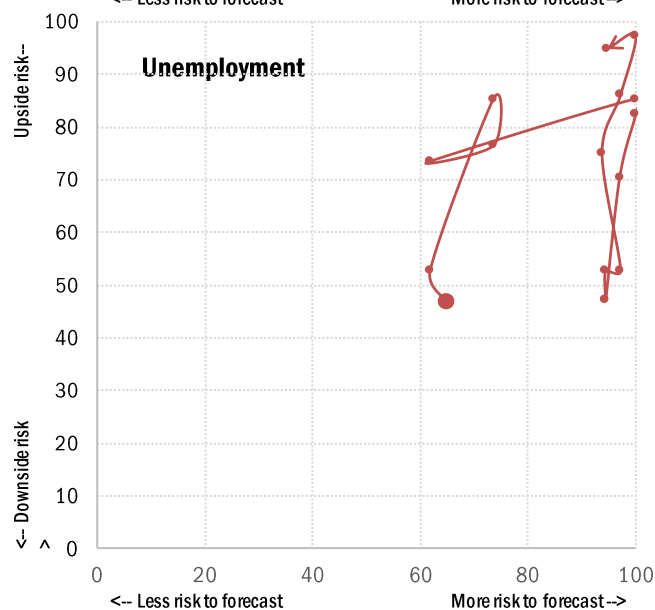
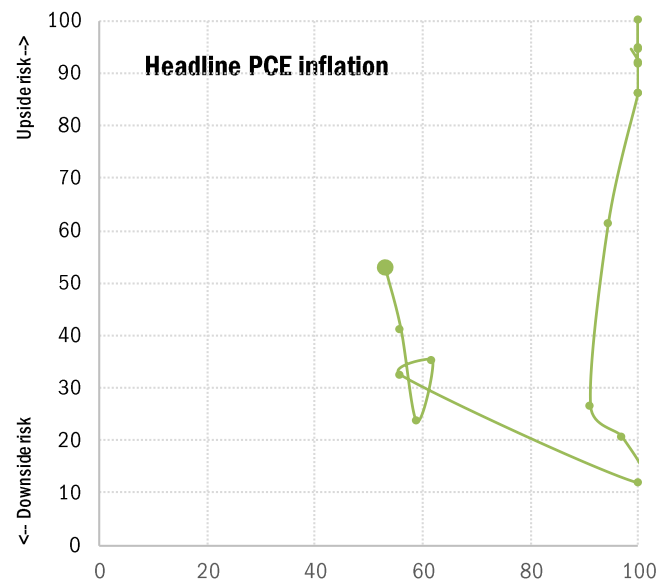
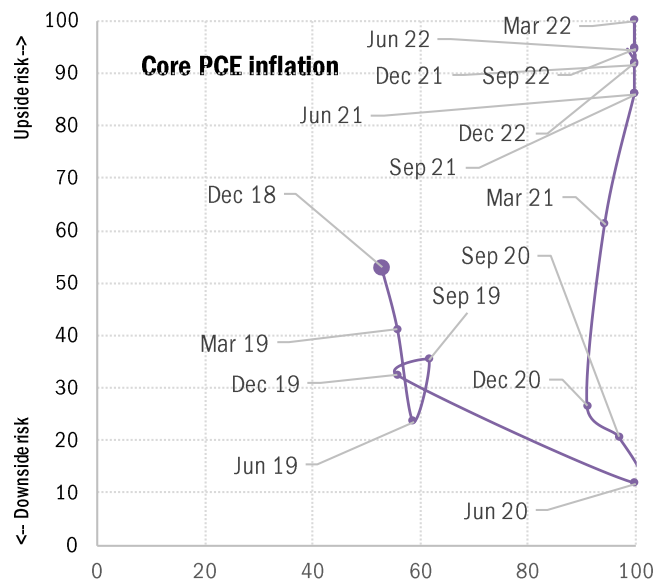


Source: Federal Reserve, BEA, BLS, TrendMacro calculations

The evolution of uncertainty

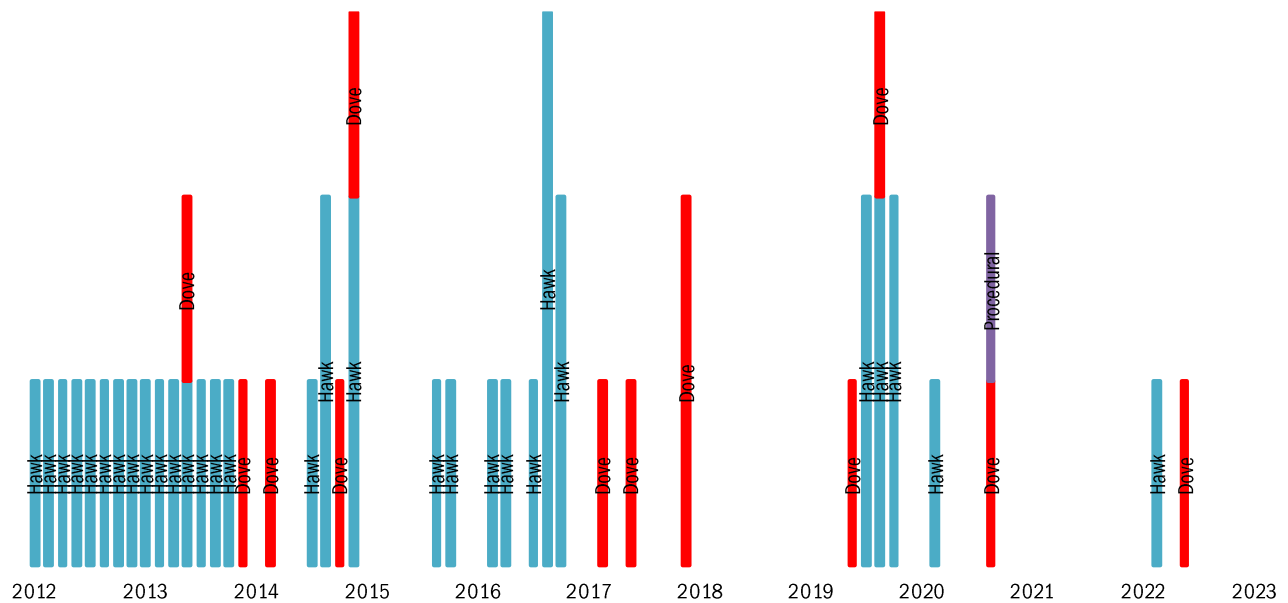
As of December FOMC

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



Source: Federal Reserve Board, TrendMacro calculations

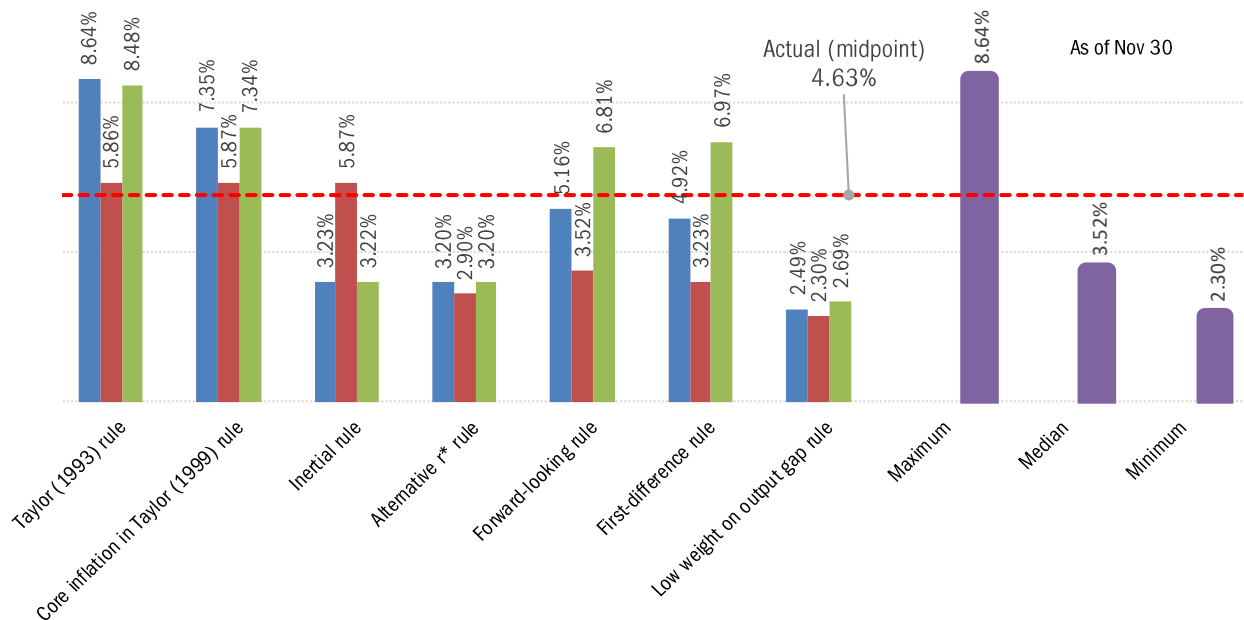
Other voices: number and direction of FOMC decision dissents



Source: FOMC, TrendMacro calculations

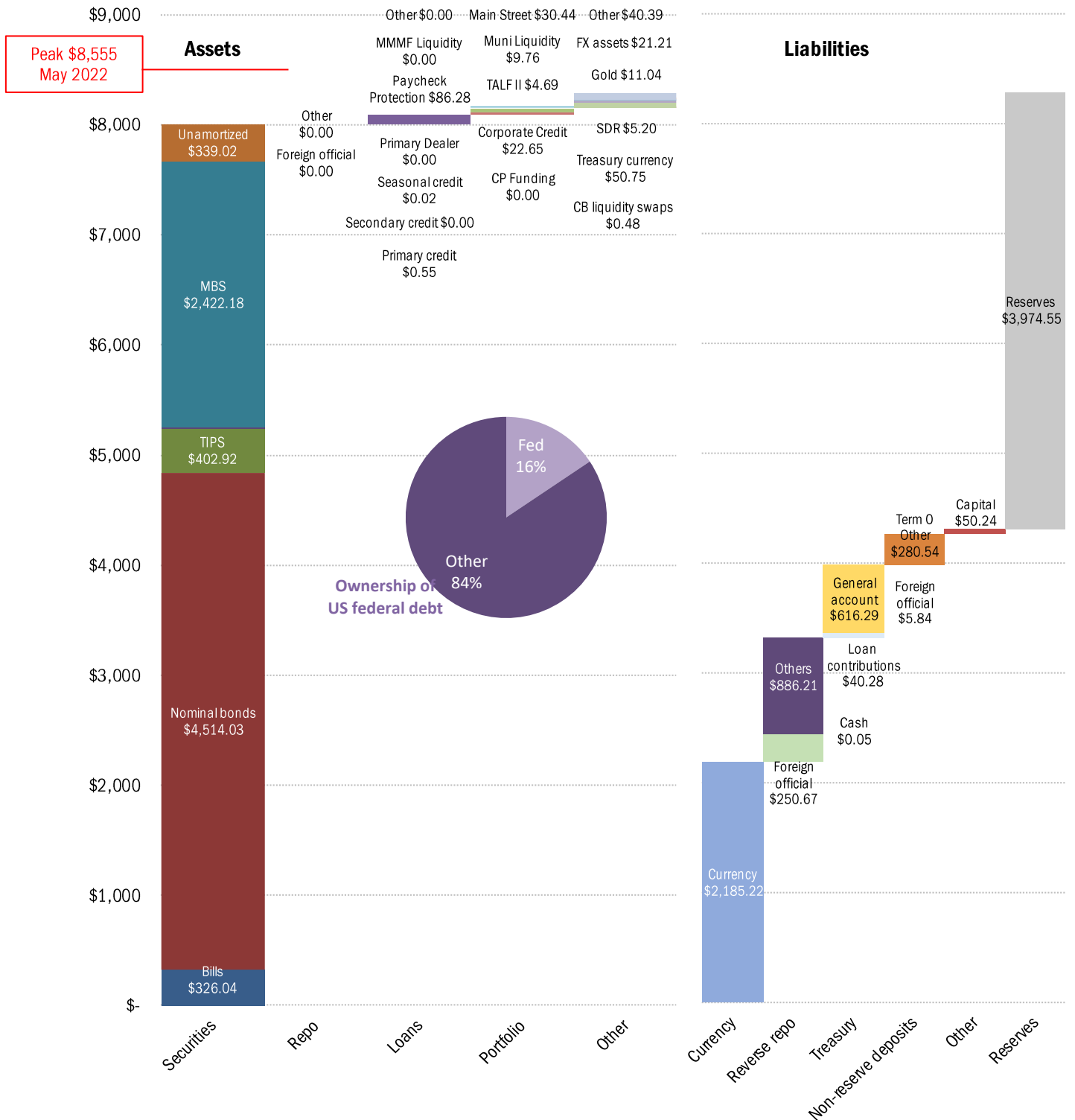
So many policy rules, so little inclination to follow any of them...

As of December 1, 2022 Based on inputs from: FOMC SEP CBO Cleveland Fed



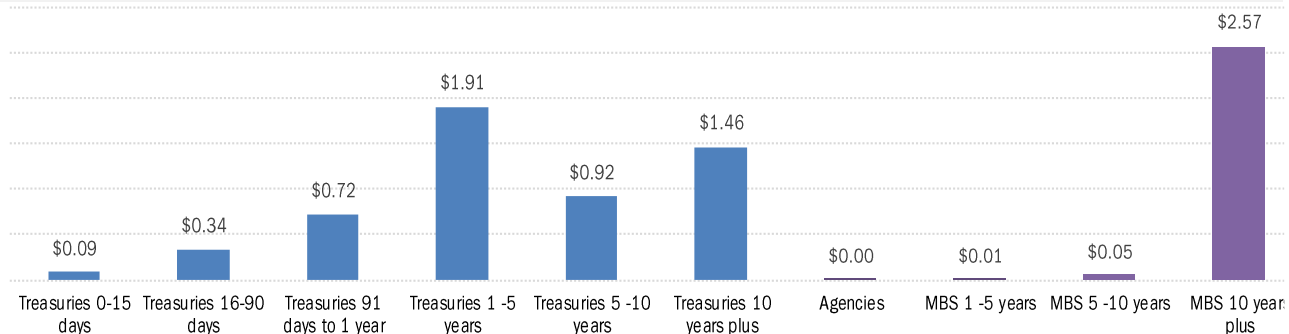
Source: [Cleveland Fed](#), TrendMacro calculations

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



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

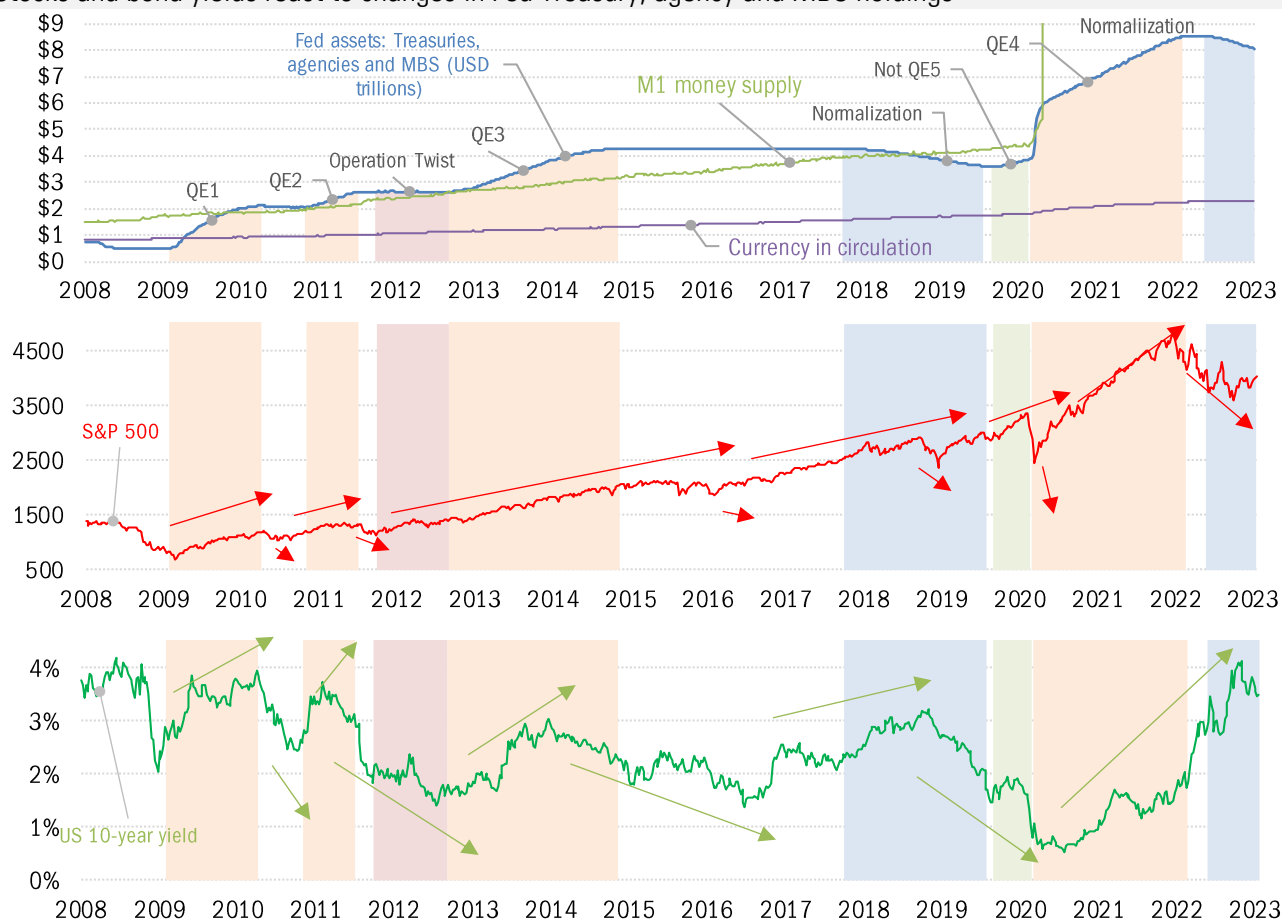
Sector and maturity breakdown of Fed government securities, USD trillions



Source: Federal Reserve, Bloomberg, TrendMacro calculations

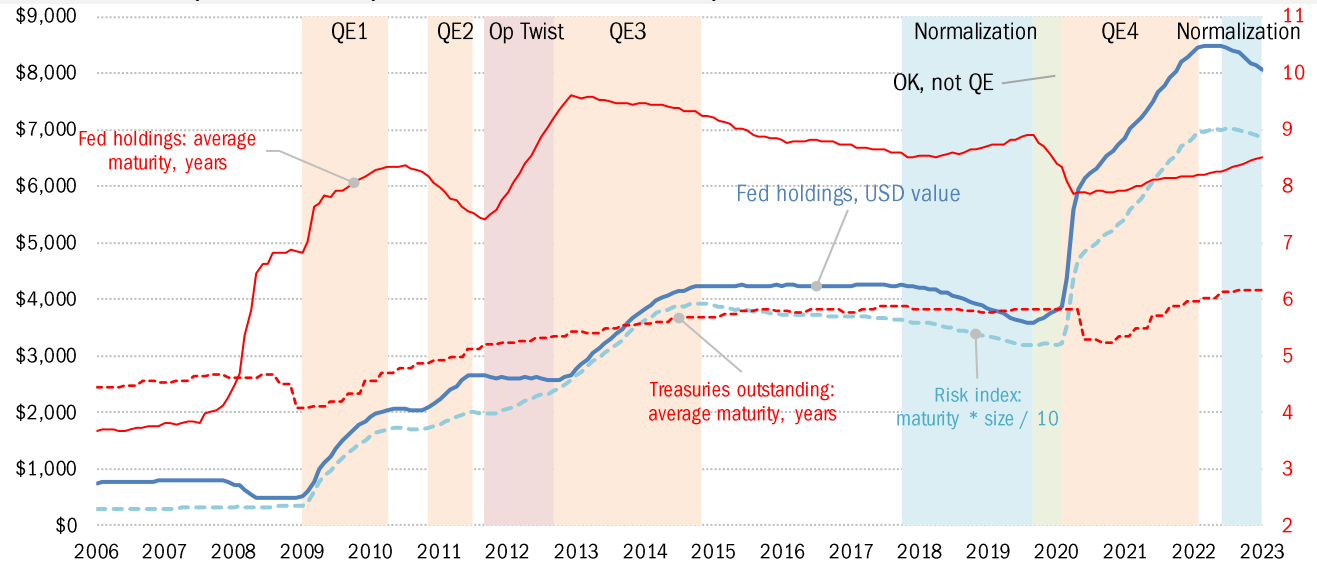
The Fed's asset purchases, and their effects on markets

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



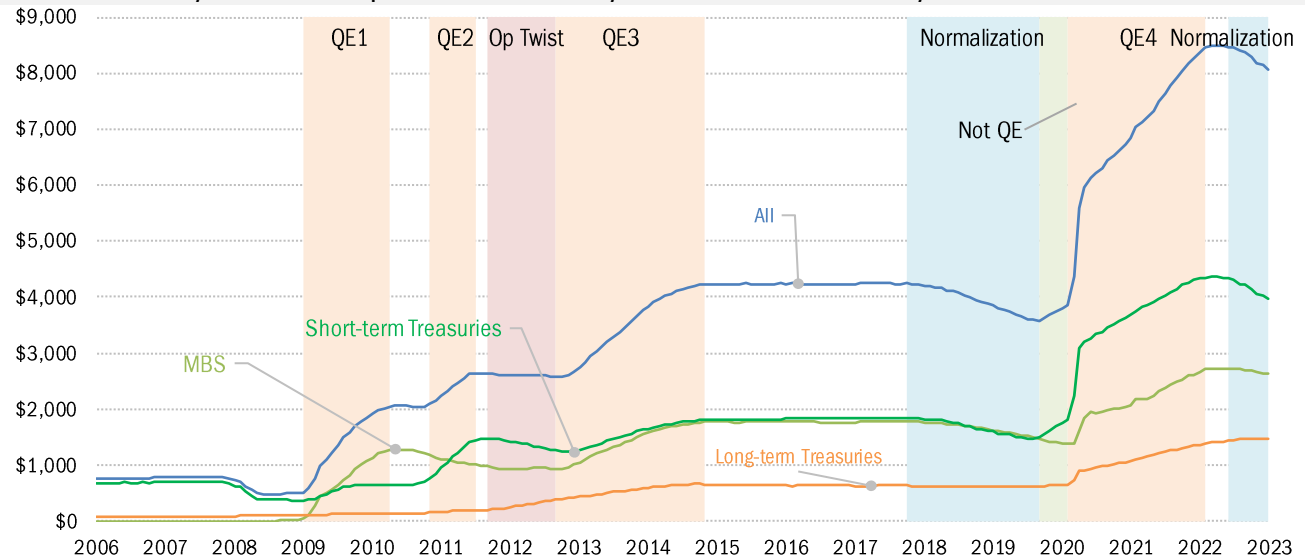
Source: Federal Reserve, Bloomberg, TrendMacro calculations

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



Source: Federal Reserve, Bloomberg, TrendMacro calculations

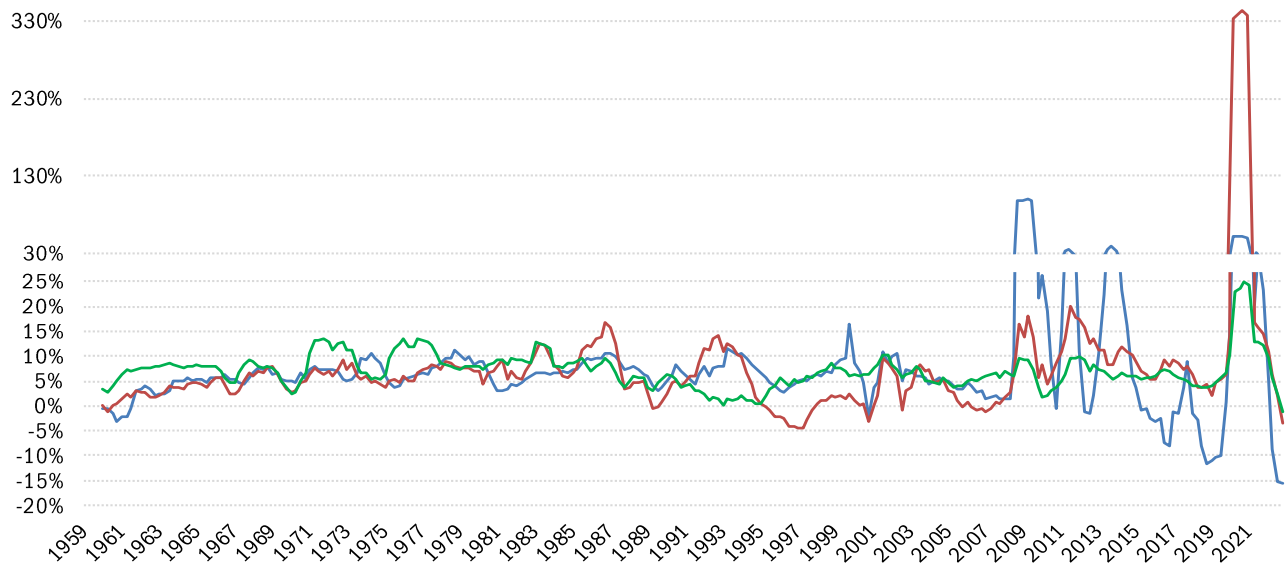
Fed Treasury and MBS portfolio: size by sector and maturity



Source: Federal Reserve, Bloomberg, TrendMacro calculations

Money supply growth, YOY quarterly

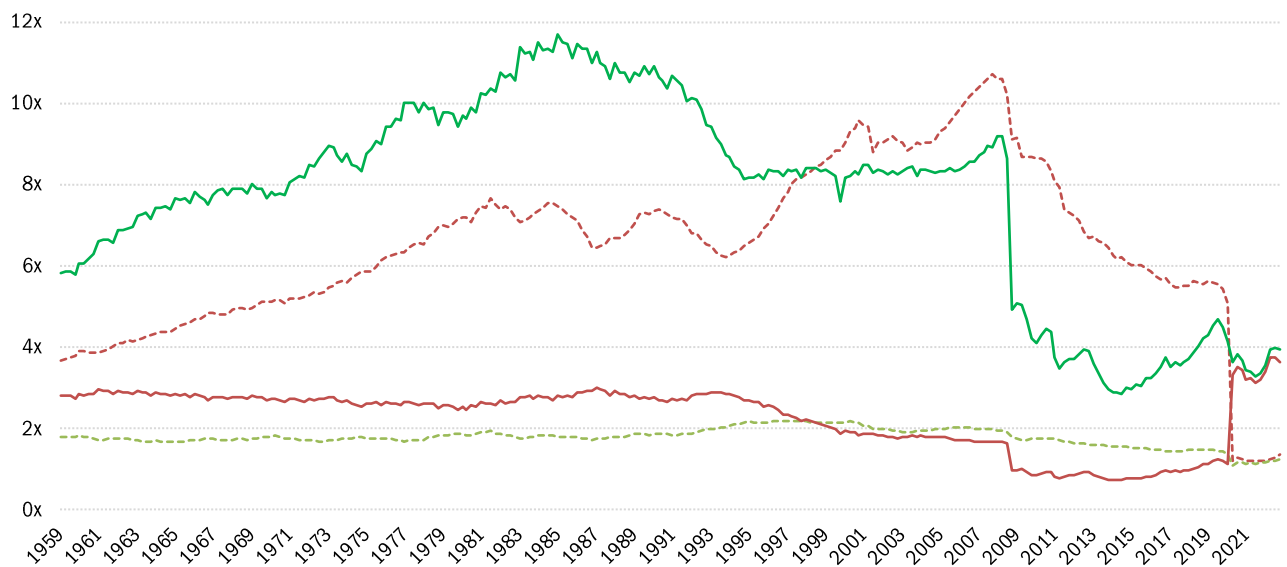
— M1 — M2 — Monetary base



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