
Data Insights: Federal Reserve

Wednesday, June 14, 2023

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

~~June 14~~ July 26, 2023

Recent indicators suggest that economic activity has ~~continued to expand~~ been expanding at a ~~modest~~ moderate pace. Job gains have been robust in recent months, and the unemployment rate has remained low. Inflation remains elevated.

The U.S. banking system is sound and resilient. Tighter credit conditions for households and businesses are likely to weigh on economic activity, hiring, and inflation. The extent of these effects remains uncertain. The Committee remains highly attentive to inflation risks.

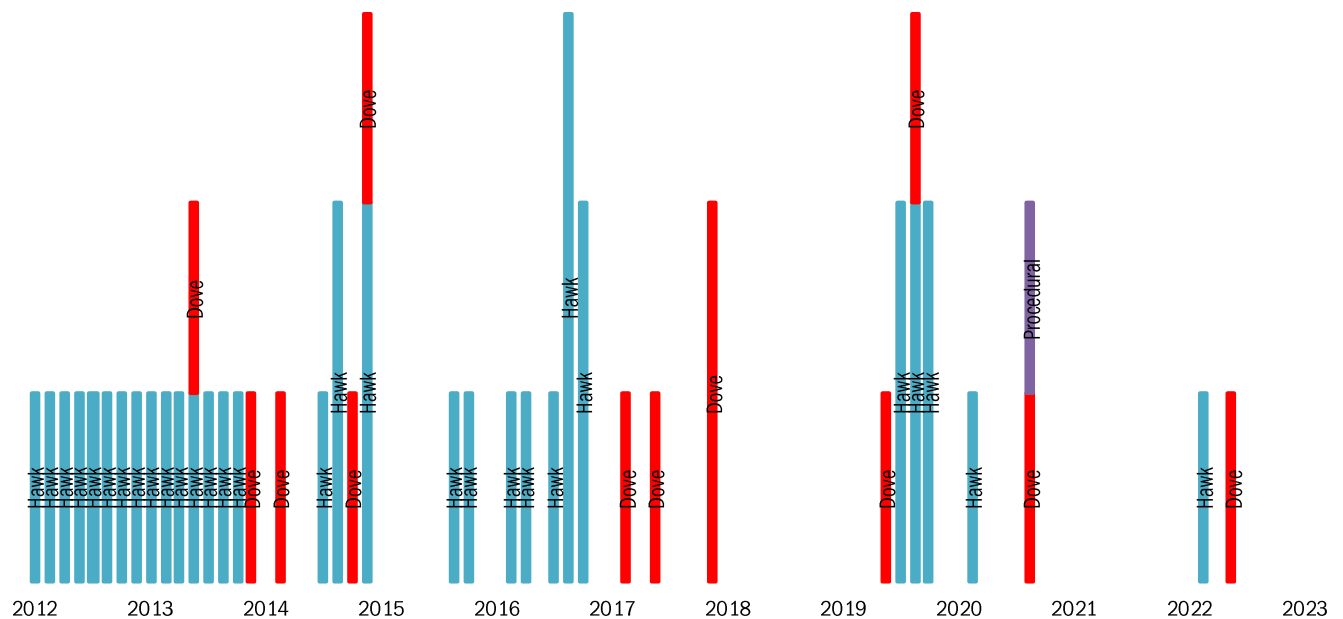
The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to ~~maintain~~ raise the target range for the federal funds rate ~~at 5 to 5-1/4~~ to 5-1/2 percent. ~~Holding the target range steady at this meeting allows the~~ The Committee will continue to assess additional information and its implications for monetary policy. In determining the extent of additional policy firming that may be appropriate to return inflation to 2 percent over time, 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 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 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; Lisa D. Cook; Austan D. Goolsbee; Patrick Harker; Philip N. Jefferson; Neel Kashkari; Lorie K. Logan; and Christopher J. Waller.

TrendMacro analysis

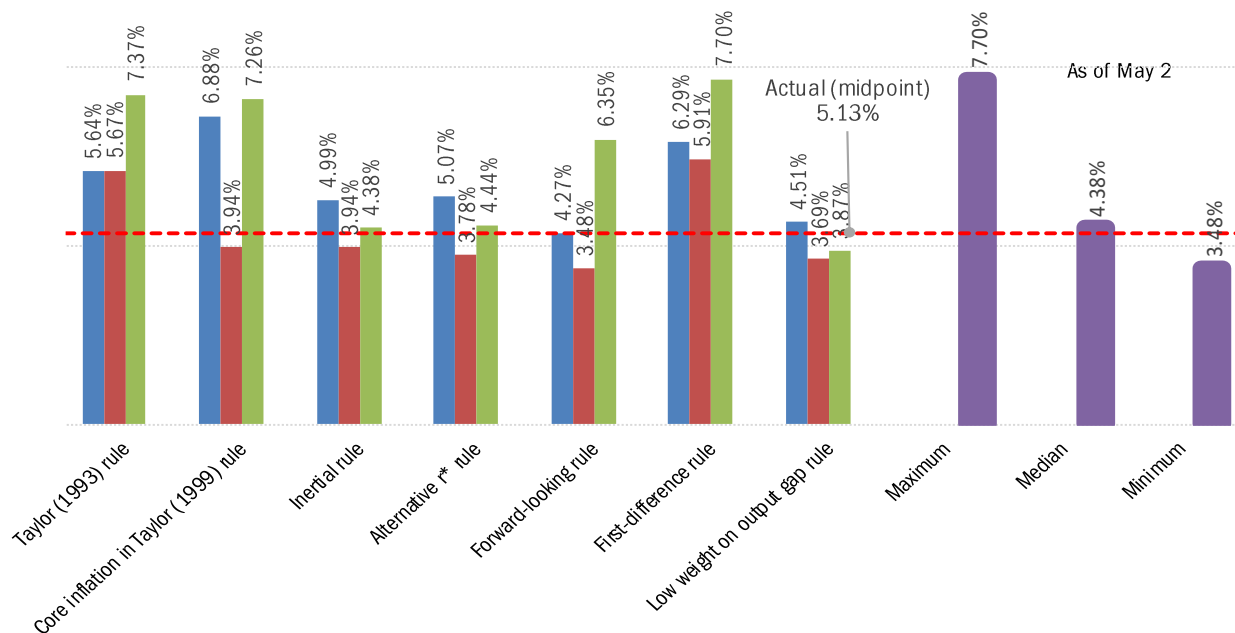
Other voices: number and direction of FOMC decision dissents



Source: FOMC, TrendMacro calculations

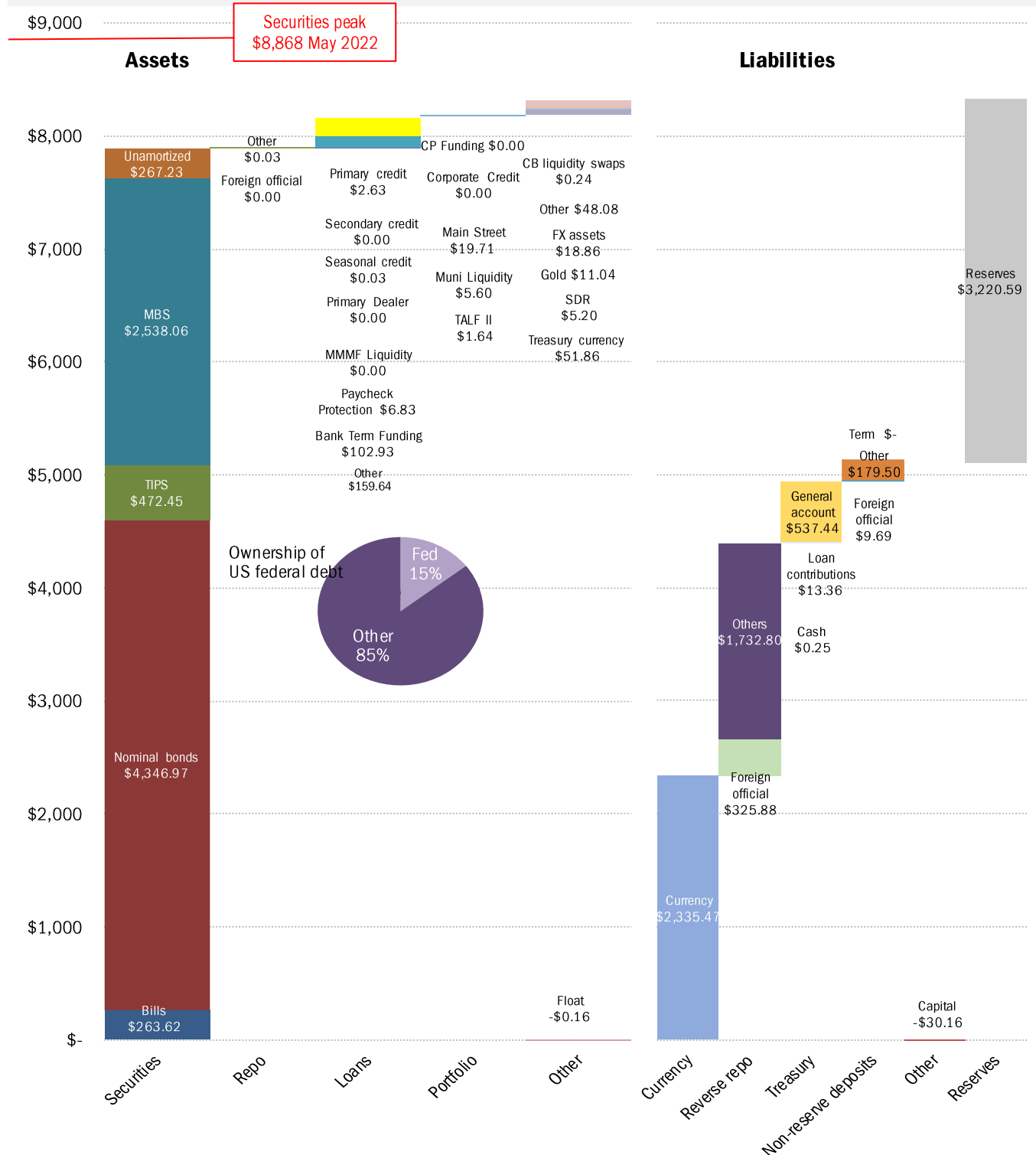
So many policy rules, so little inclination to follow any of them...

As of June 1, 2023 Based on inputs from: ■ FOMC SEP ■ CBO ■ Cleveland Fed



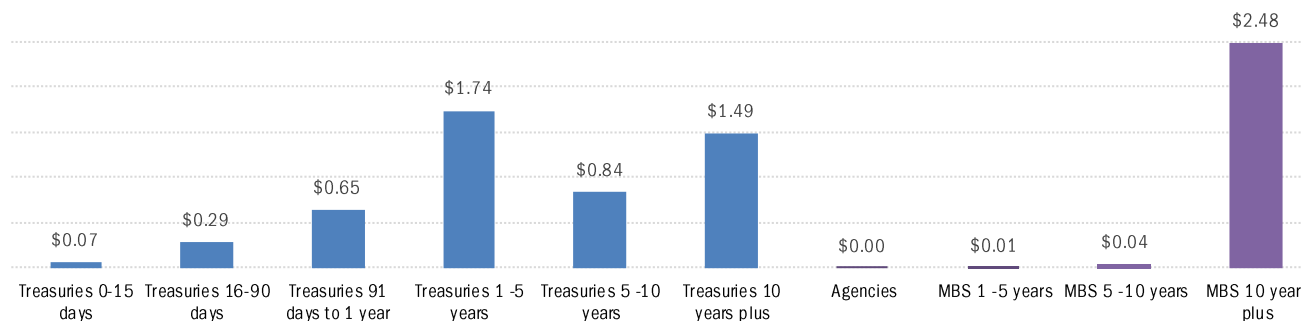
Source: [Cleveland Fed](#), TrendMacro calculations

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



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

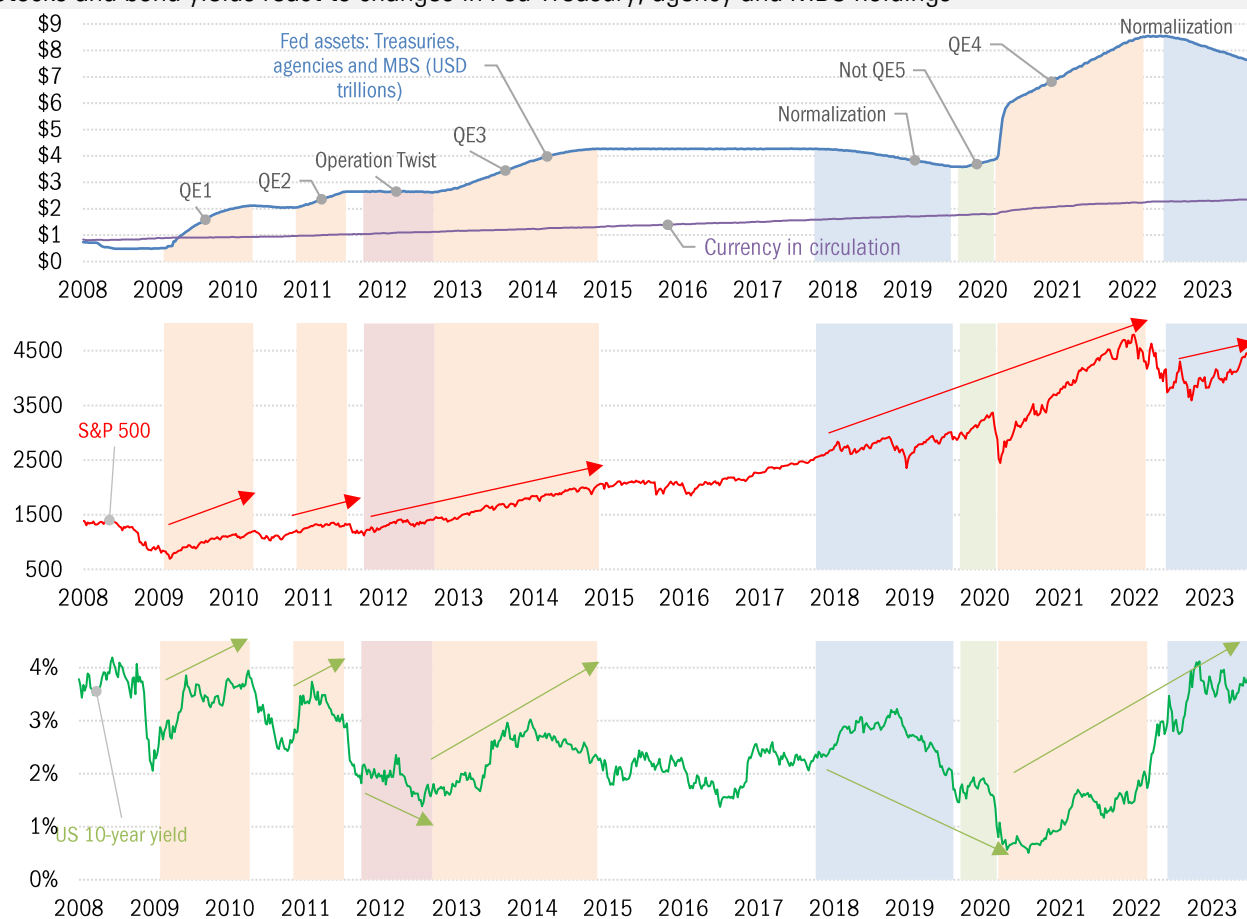
Sector and maturity breakdown of Fed government securities, USD trillions



Source: Federal Reserve, Bloomberg, TrendMacro calculations

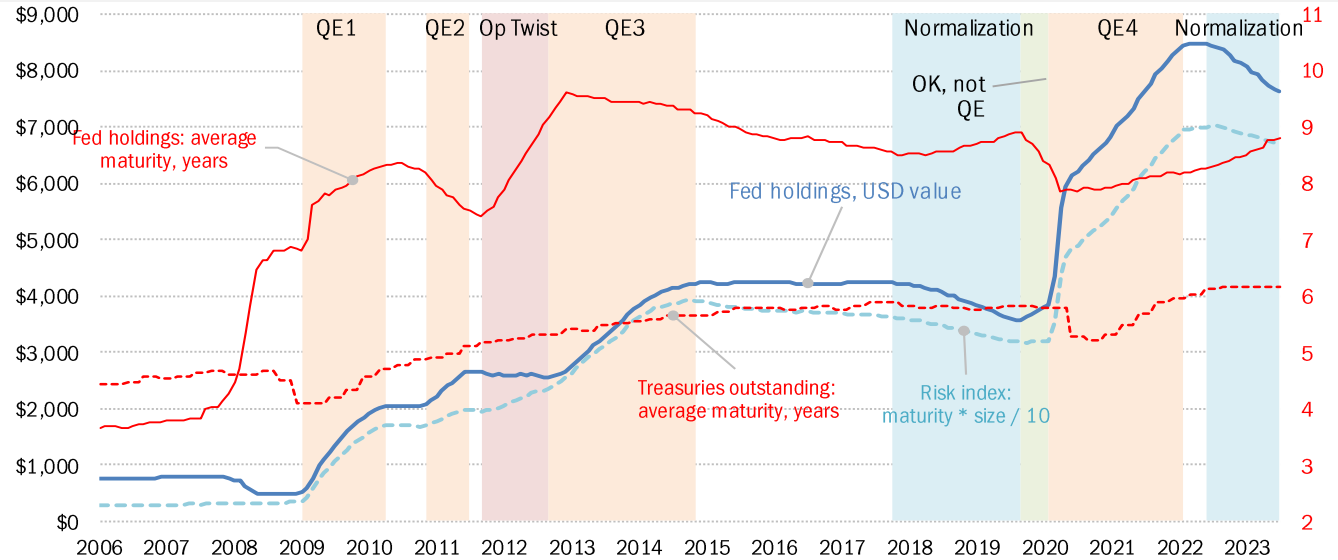
The Fed's asset purchases, and their effects on markets

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



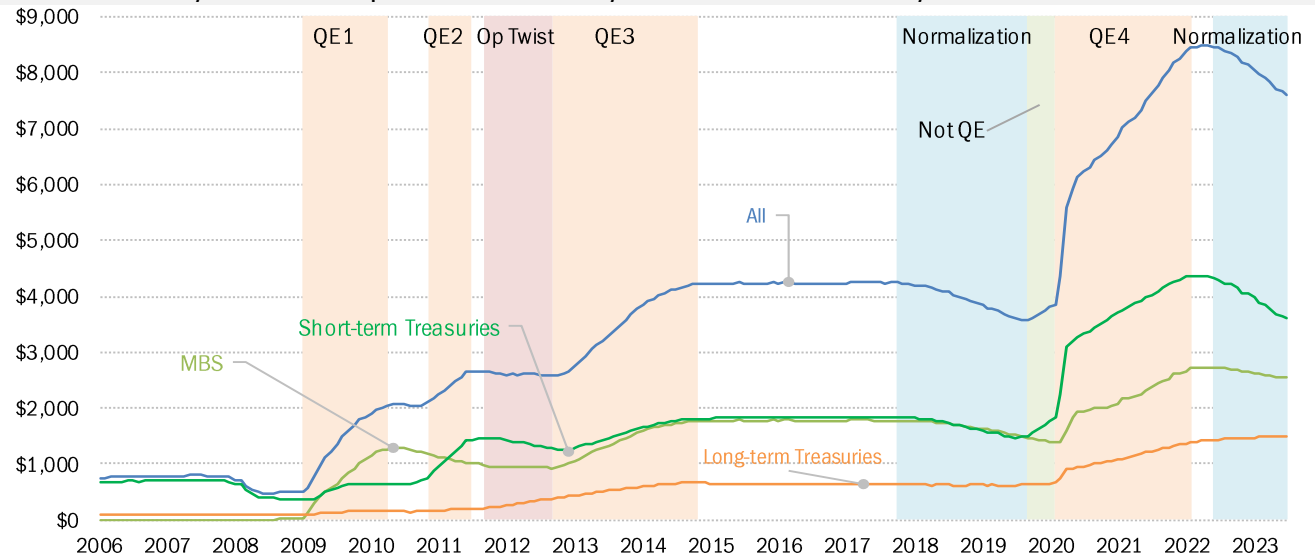
Source: Federal Reserve, Bloomberg, TrendMacro calculations

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



Source: Federal Reserve, Bloomberg, TrendMacro calculations

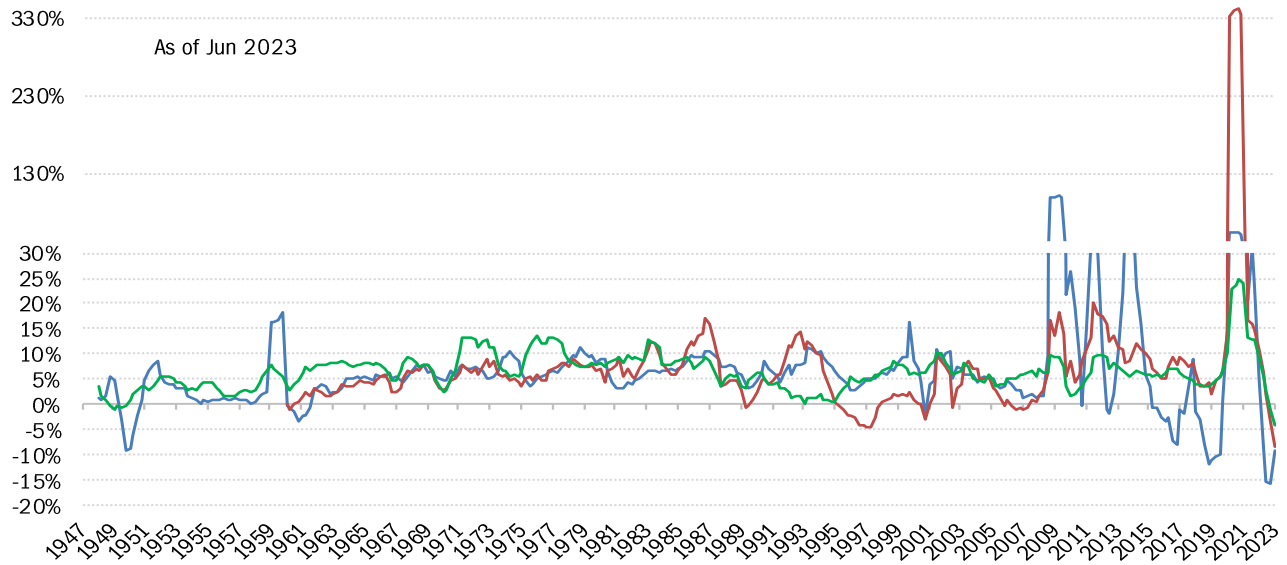
Fed Treasury and MBS portfolio: size by sector and maturity



Source: Federal Reserve, Bloomberg, TrendMacro calculations

Money supply growth, YOY quarterly

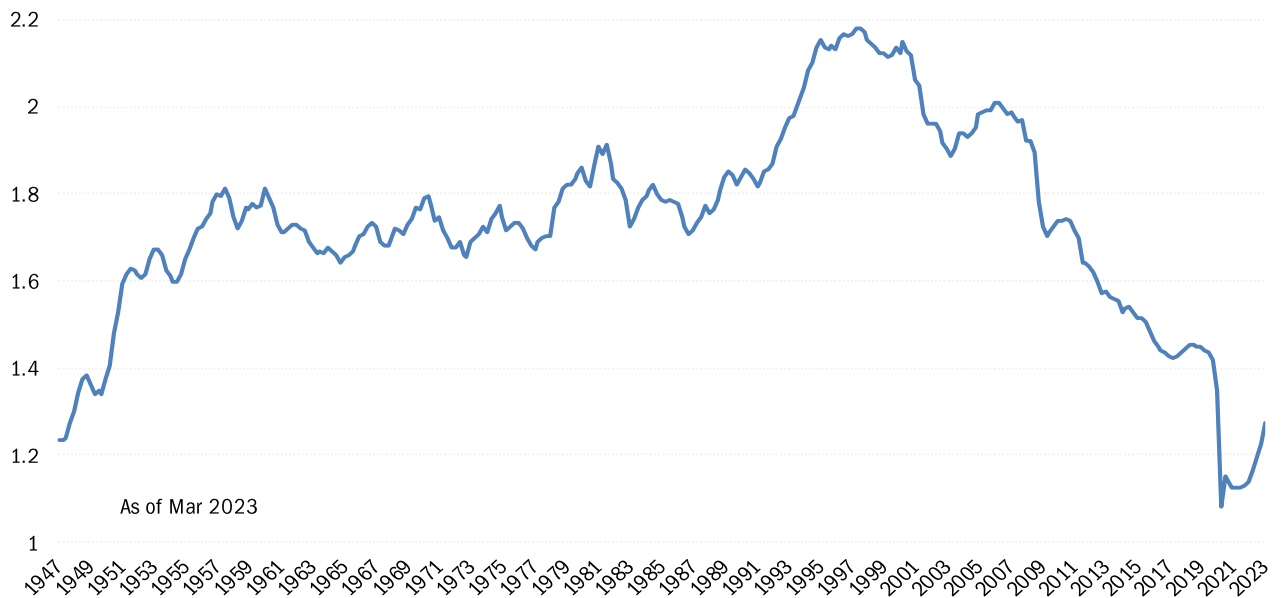
— M1 — M2 — Monetary base



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

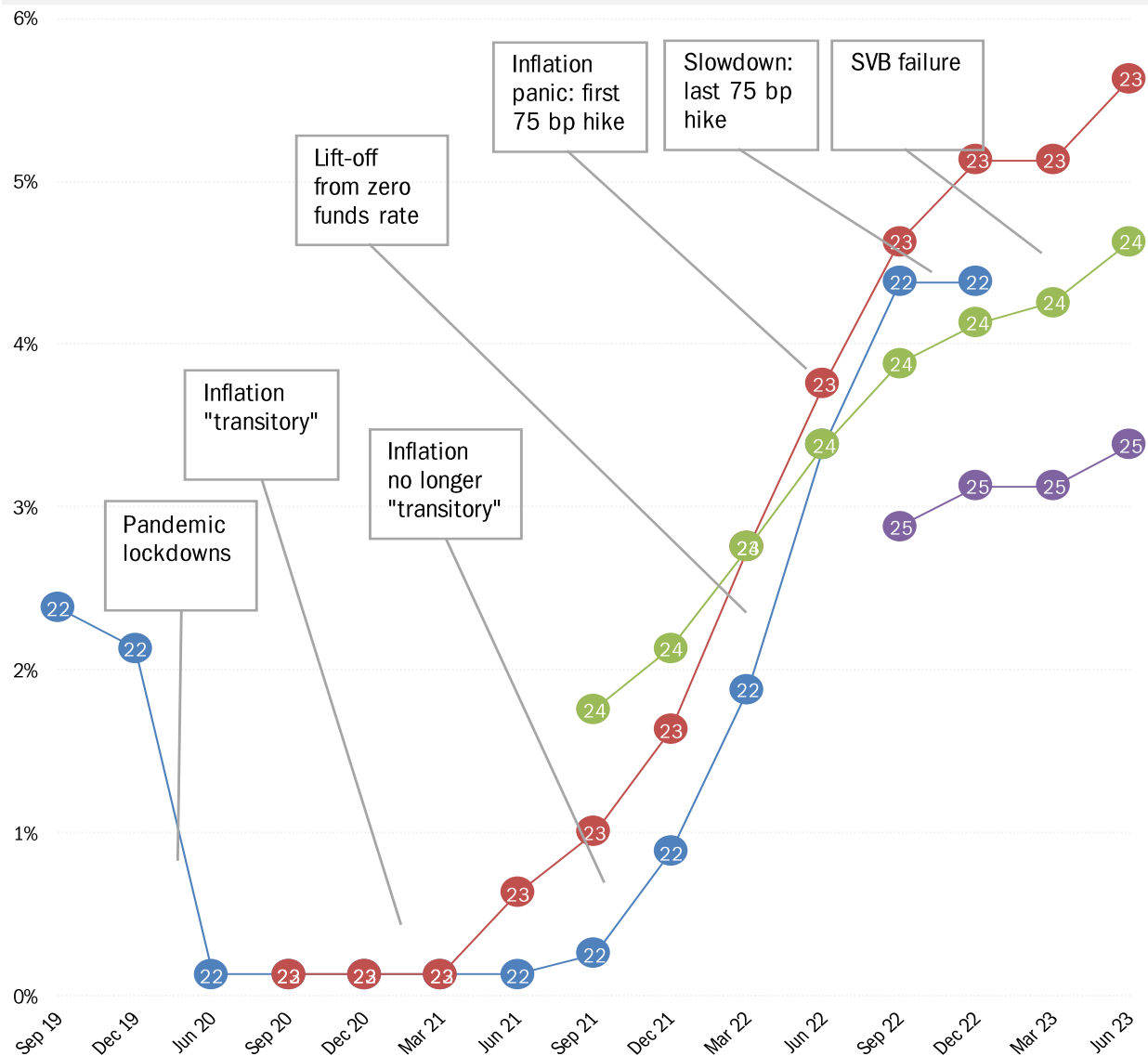
Monetary velocity, quarterly

Derived from the [Equation of Exchange](#): $M2 * V = P * NGDP$



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

"Dot plots" of "appropriate fed funds rate" in the pandemic policy cycle As of June FOMC

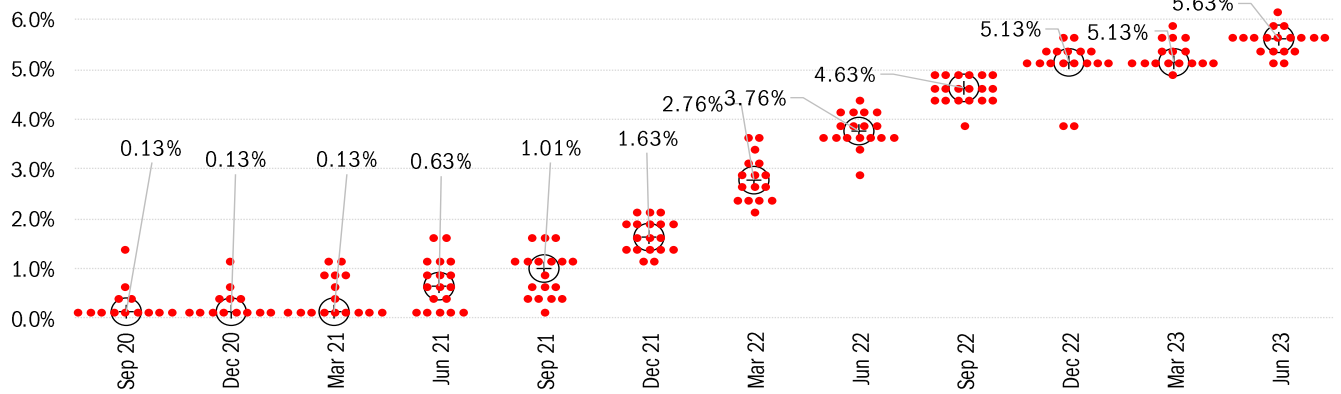


Source: Federal Reserve [SEP](#), TrendMacro calculations

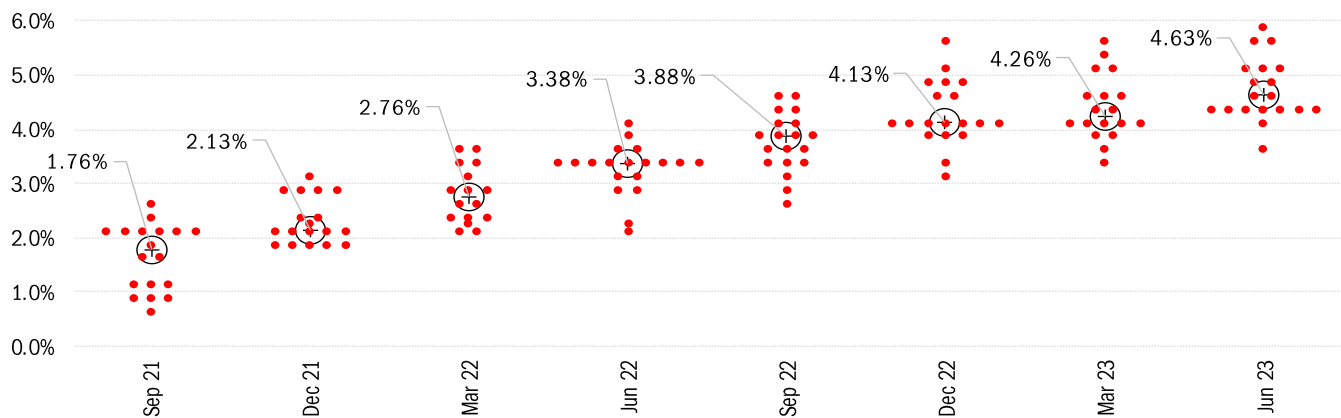
Tracking the "dotplots" in high-res As of June FOMC

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

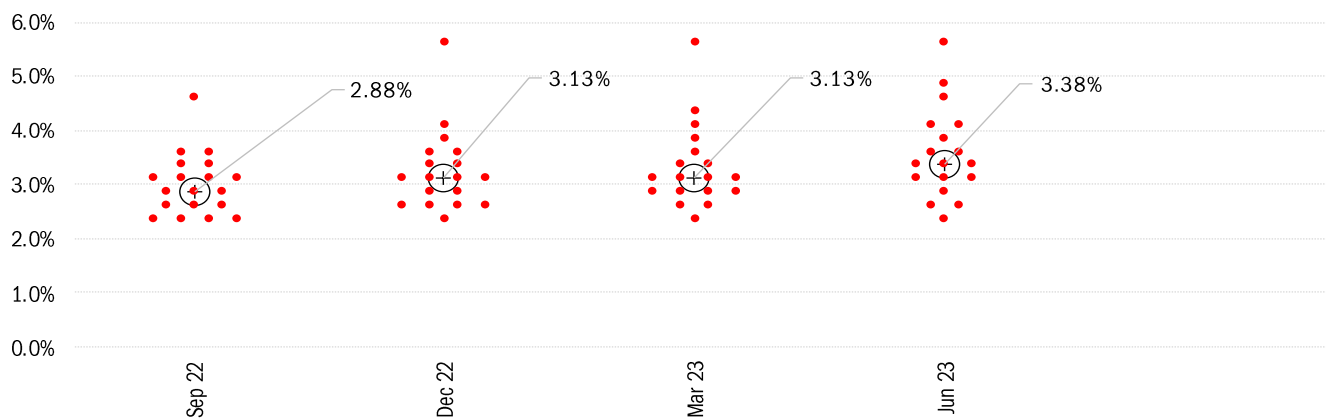
For year-end 2023



For year-end 2024



For year-end 2025

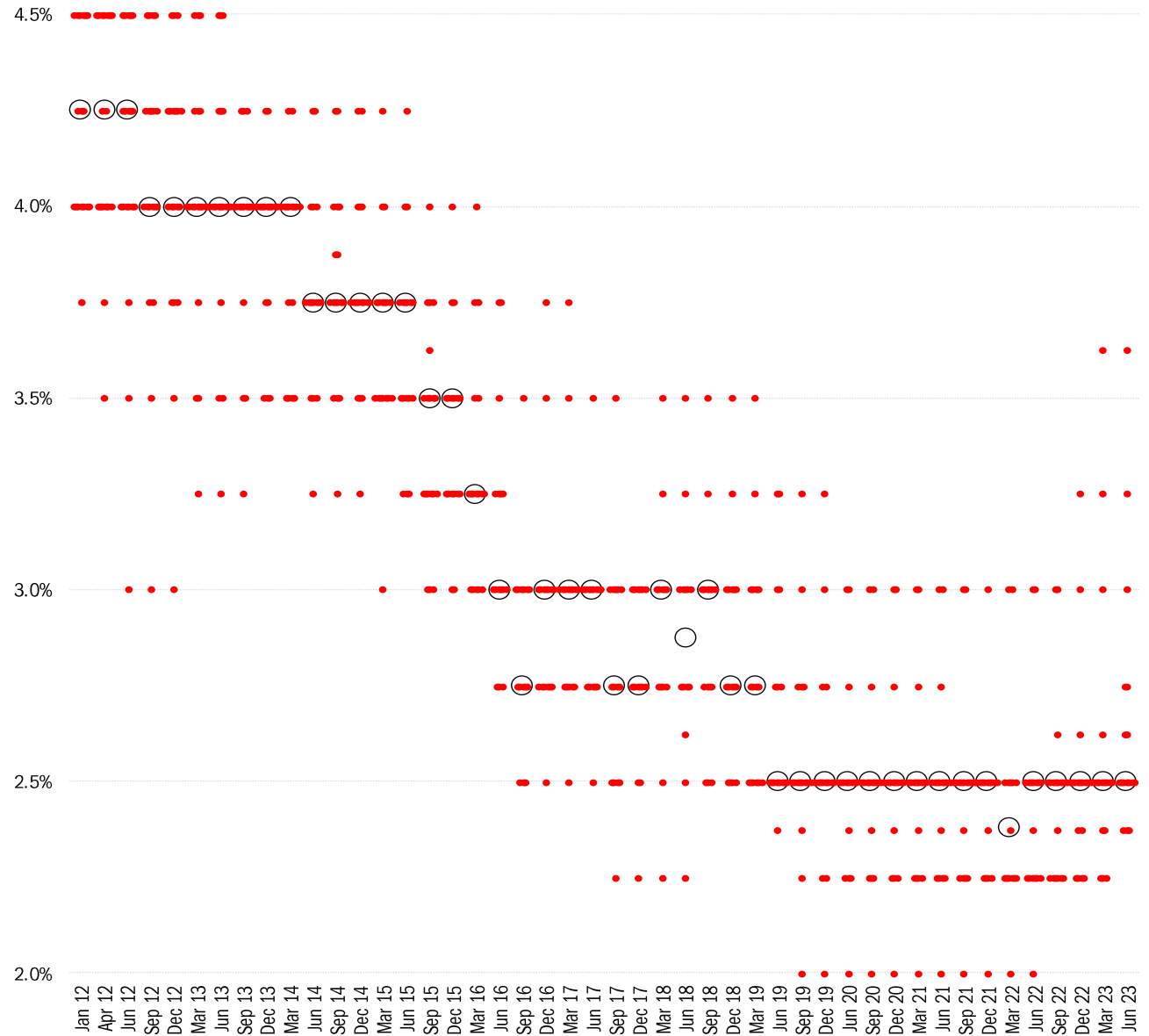


"R-star" – the ultimate dot-plot

As of June FOMC

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

● Individual participant ○ Median



Source: Federal Reserve, TrendMacro calculations

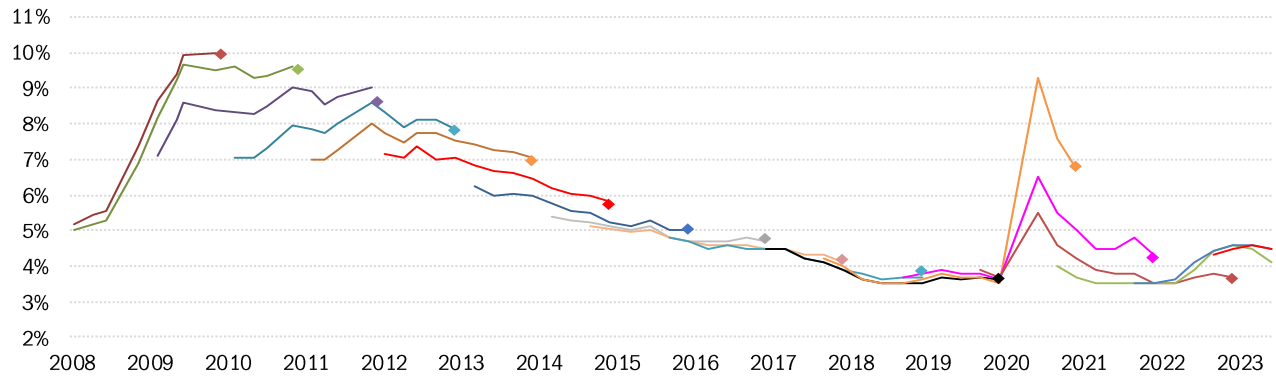
Forecast v actual: [economic projections](#) FRB and presidents

— Forecast ♦ Actual

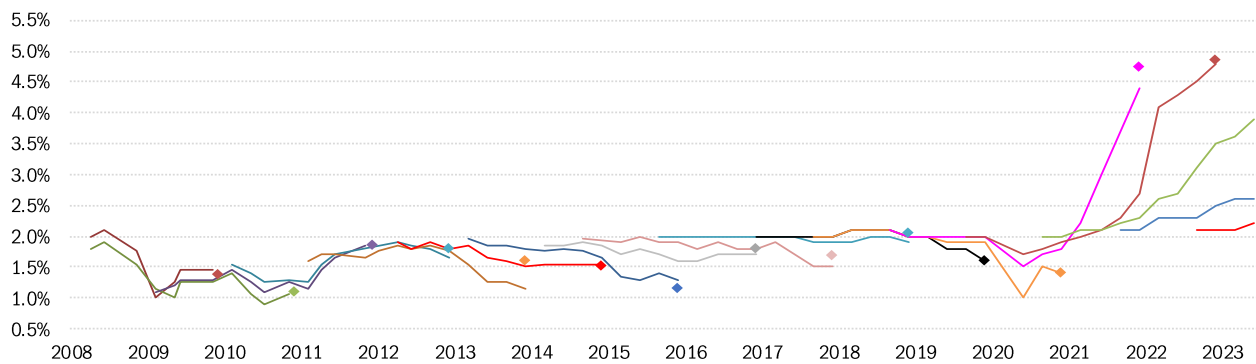
As of June FOMC

■ 2009 ■ 10 ■ 11 ■ 12 ■ 13 ■ 14 ■ 15 ■ 16 ■ 17 ■ 18 ■ 19 ■ 20 ■ 21 ■ 22 ■ 23 ■ 24 ■ 25

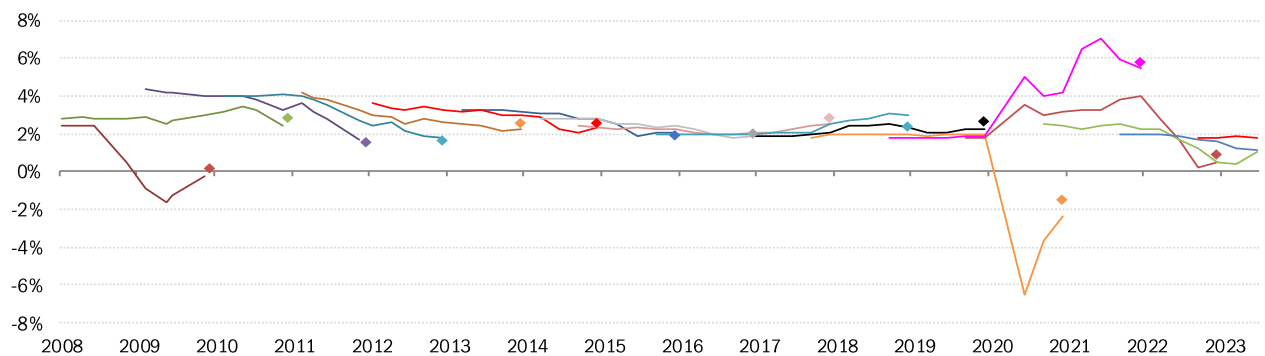
Unemployment



Core PCE inflation



Real GDP

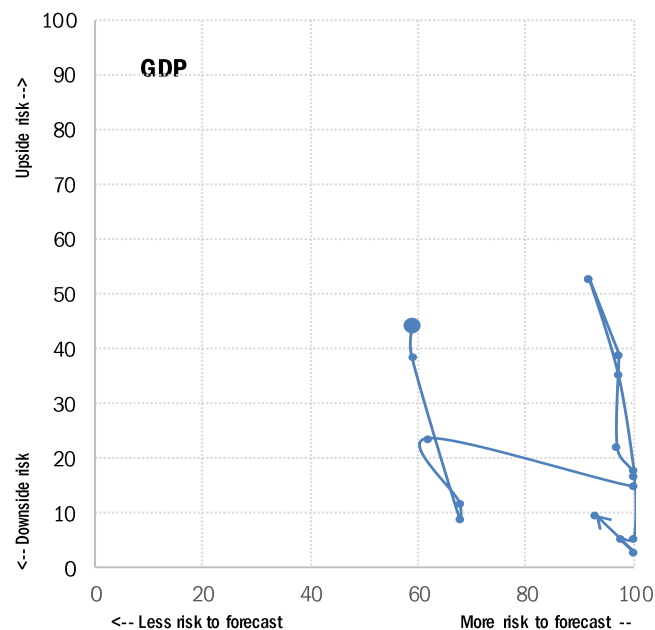
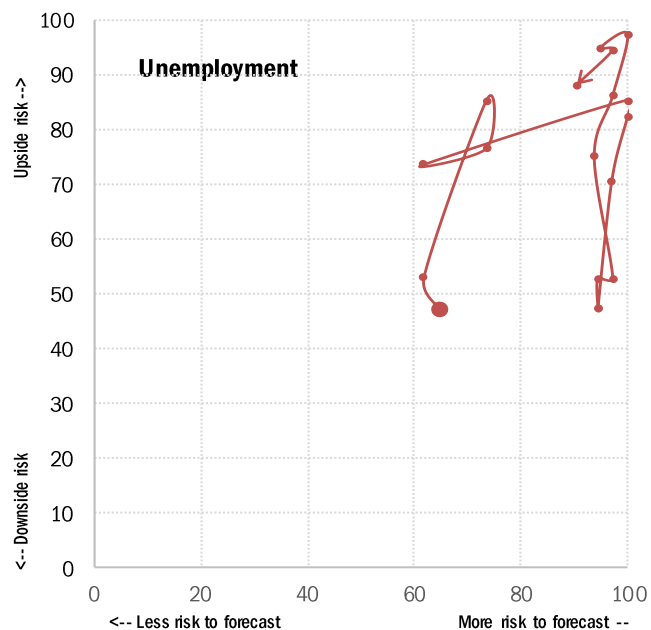
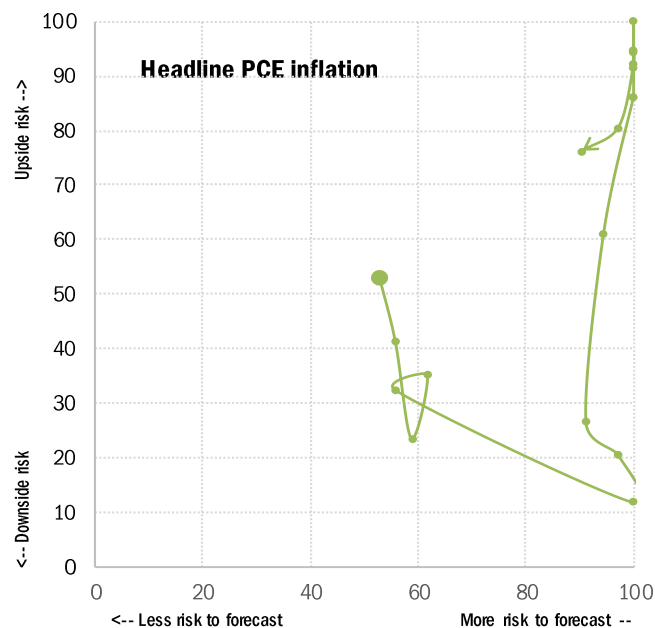
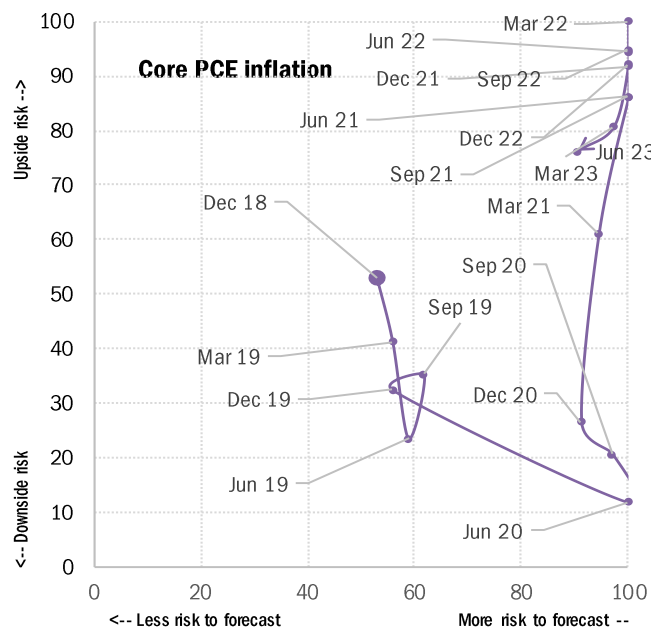


Source: Federal Reserve, BEA, BLS, TrendMacro calculations

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