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## Data Insights: Federal Reserve

Wednesday, September 20, 2023

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

~~July 26~~ September 20, 2023

Federal Reserve issues FOMC statement

For release at 2:00 p.m. EDT

Recent indicators suggest that economic activity has been expanding at a moderatesolid pace. Job gains have ~~been robust~~ slowed in recent months but remain strong, 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.

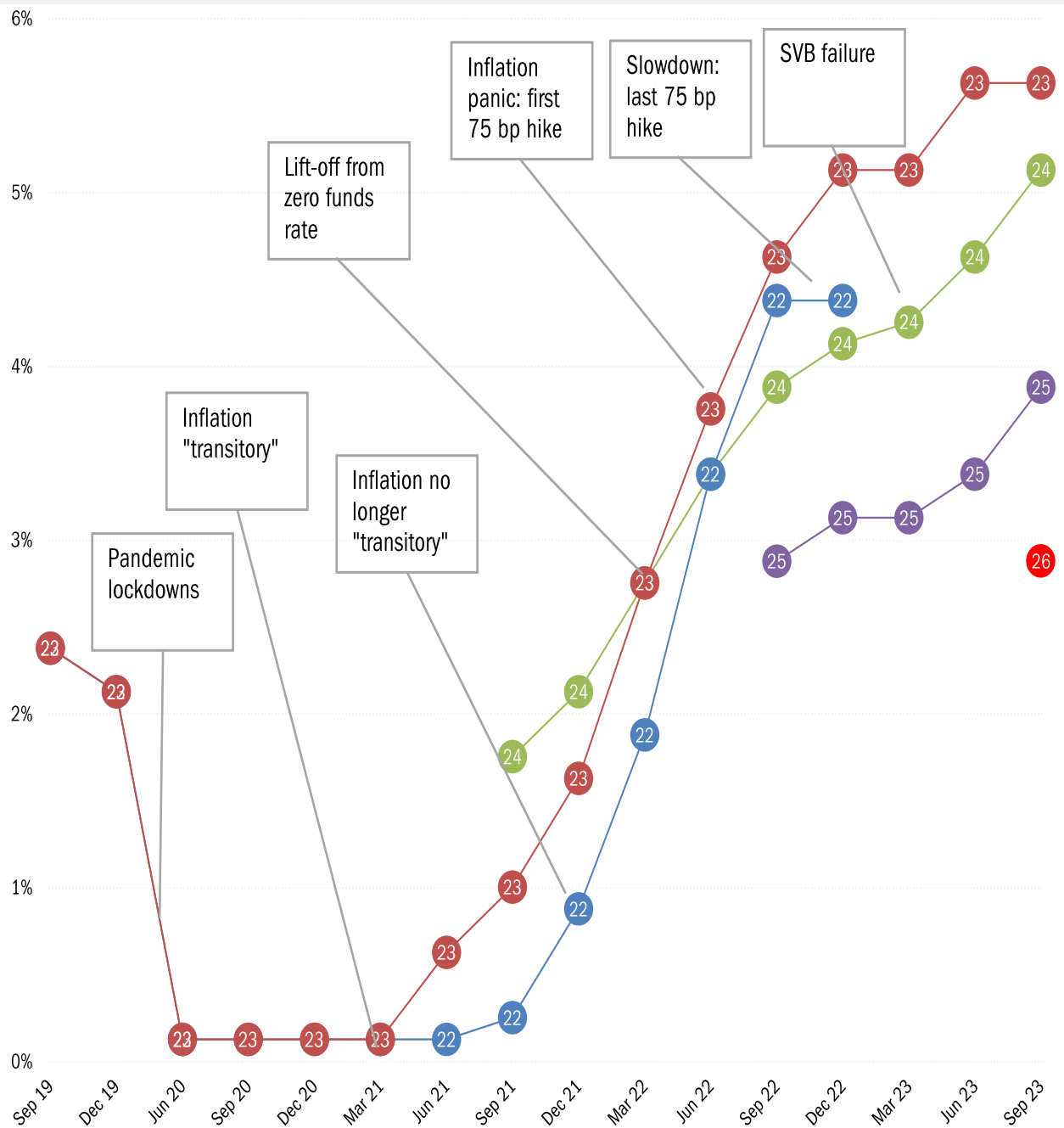
The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to raisemaintain the target range for the federal funds rate ~~at~~ 5-1/4 to 5-1/2 percent. The Committee will continue to assess additional information 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; Adriana D. Kugler; Lorie K. Logan; and Christopher J. Waller.

TrendMacro analysis

## "Dot plots" of "appropriate policy path" in the pandemic funds rate cycle

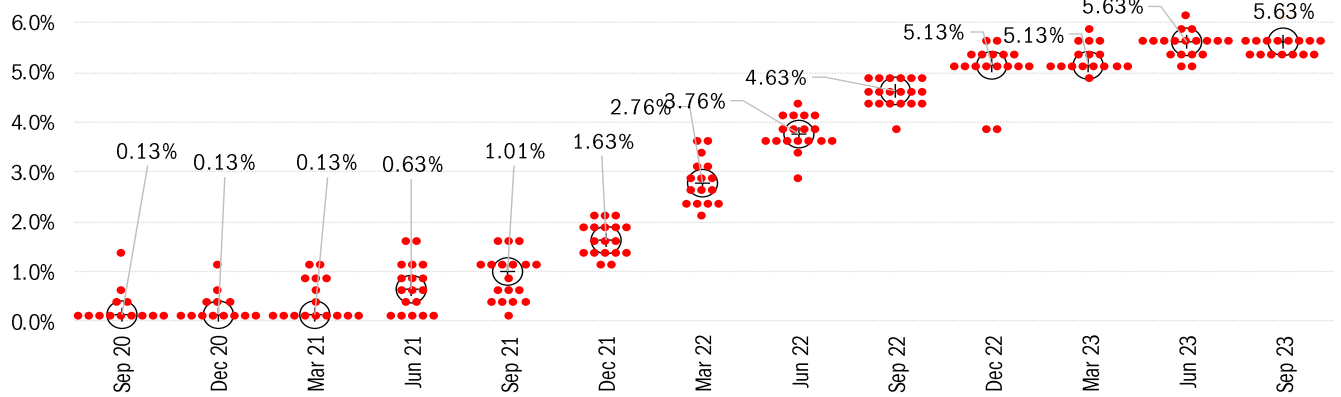


Source: Federal Reserve [SEP](#), TrendMacro calculations

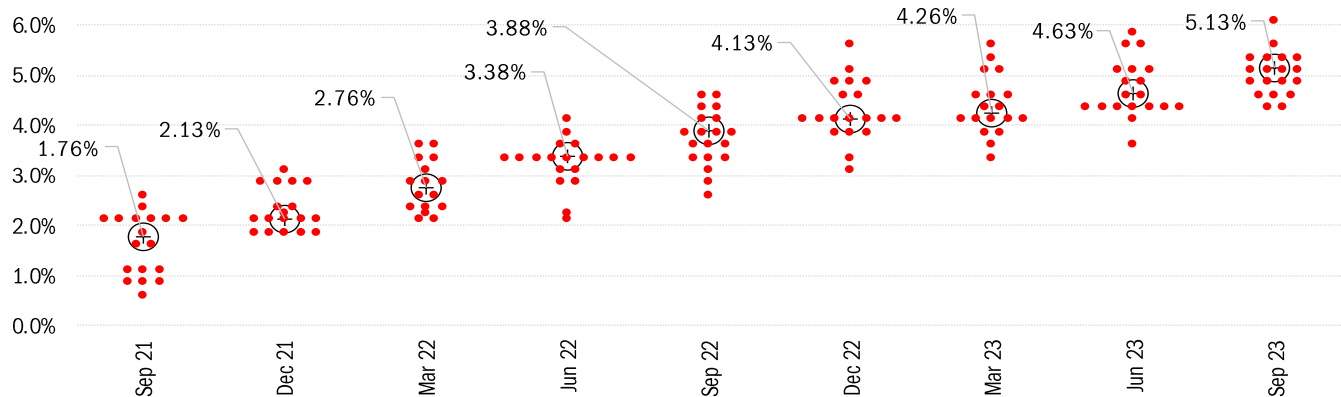
## Tracking the "dotplots" in high-res

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

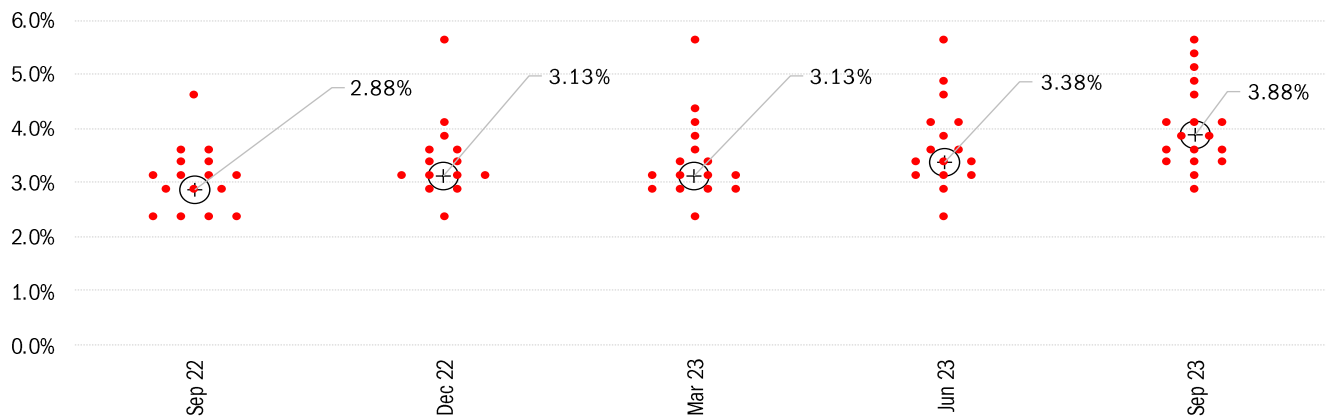
### For year-end 2023



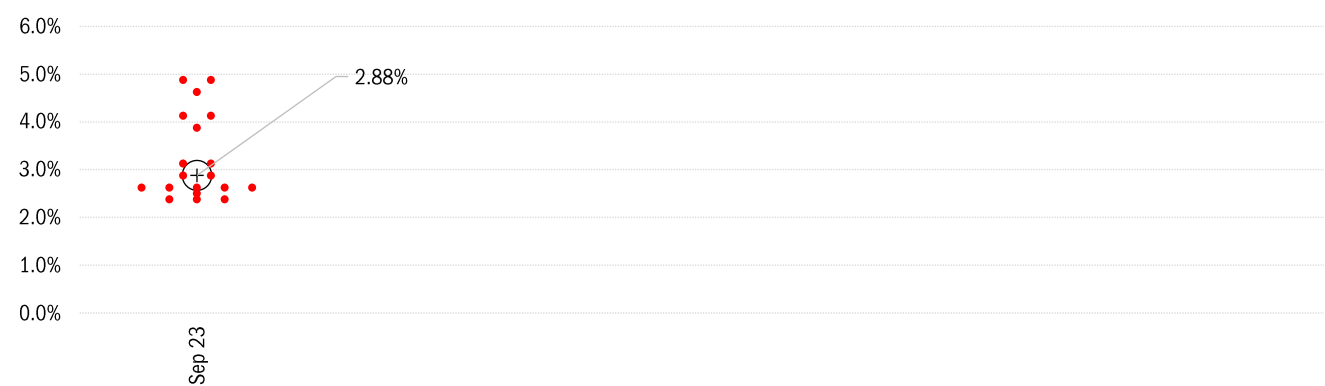
### For year-end 2024



### For year-end 2025



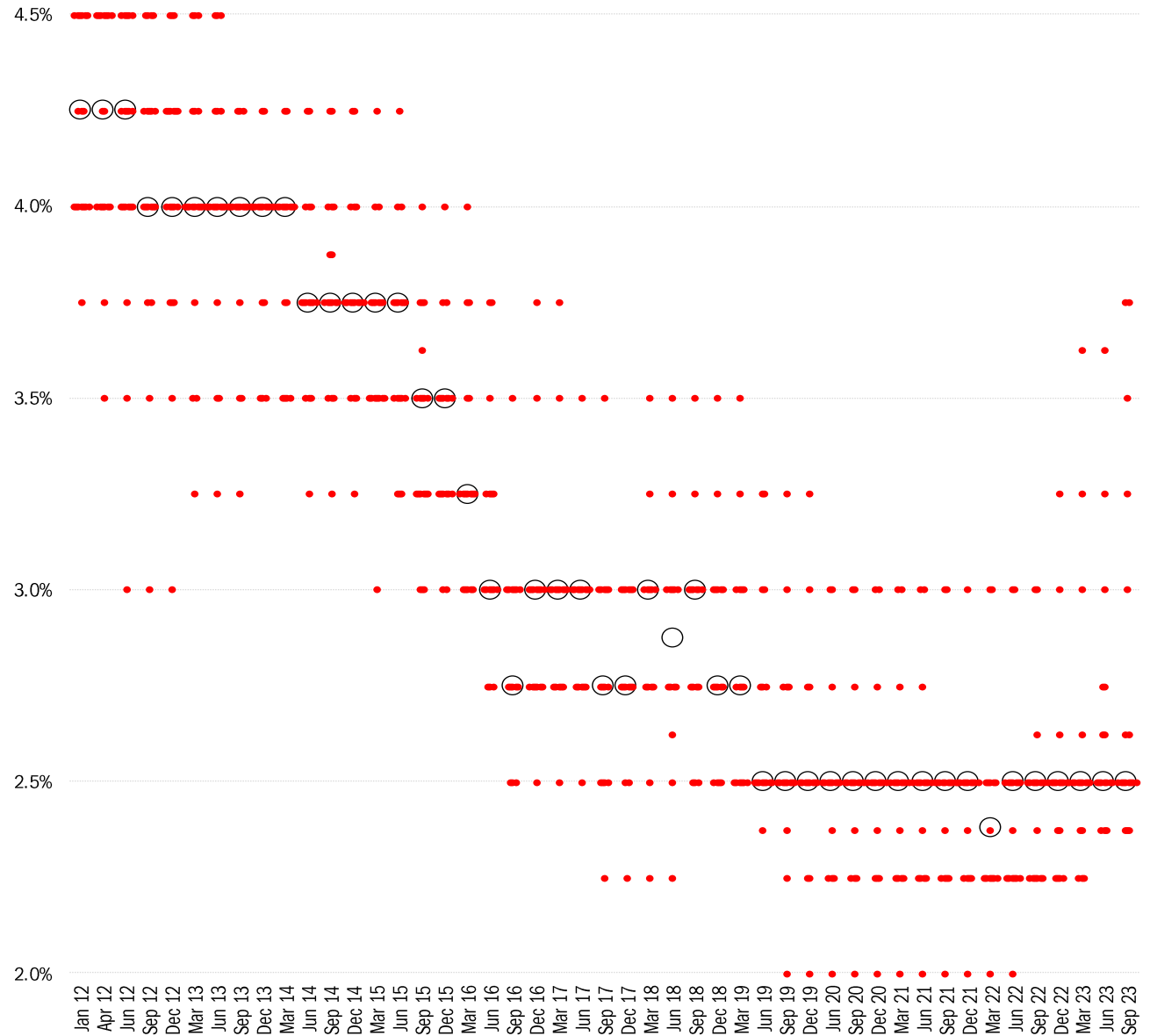
# For year-end 2026



## "R-star" – the ultimate dot-plot

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

● Individual participant ○ Median

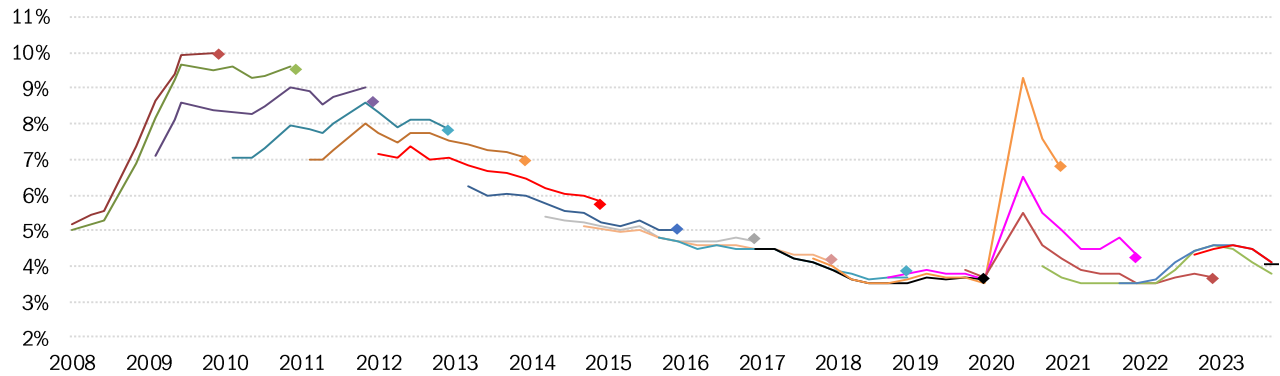


Source: Federal Reserve, TrendMacro calculations

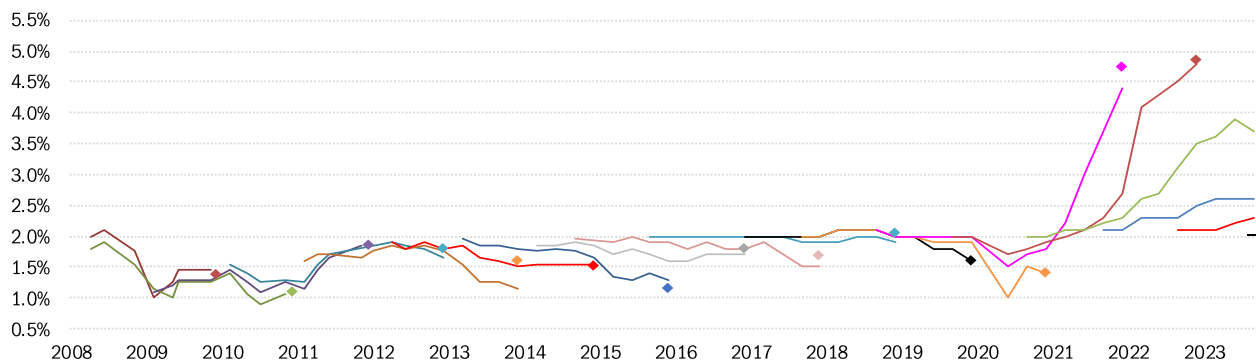
Forecast v actual: [economic projections](#) FRB and presidents — Forecast ♦ Actual

■ 2009 ■ 10 ■ 11 ■ 12 ■ 13 ■ 14 ■ 15 ■ 16 ■ 17 ■ 18 ■ 19 ■ 20 ■ 21 ■ 22 ■ 23 ■ 24 ■ 25 ■ 2026

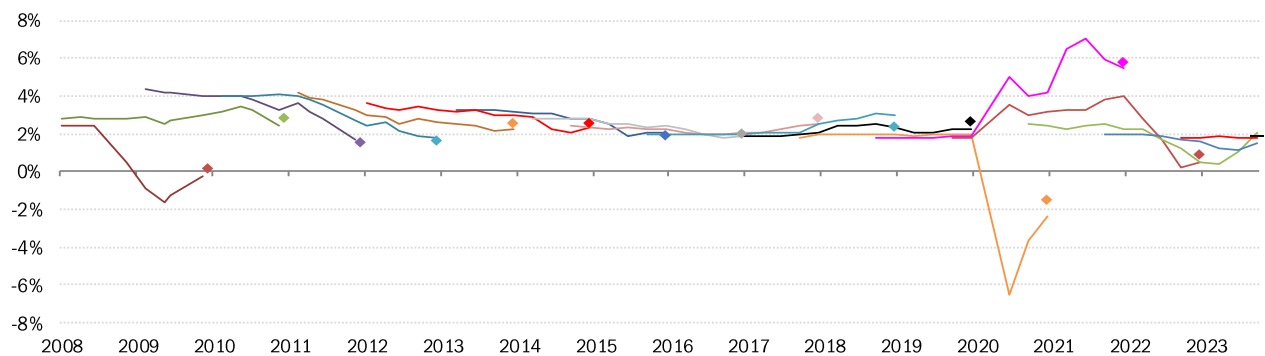
## Unemployment



## Core PCE inflation



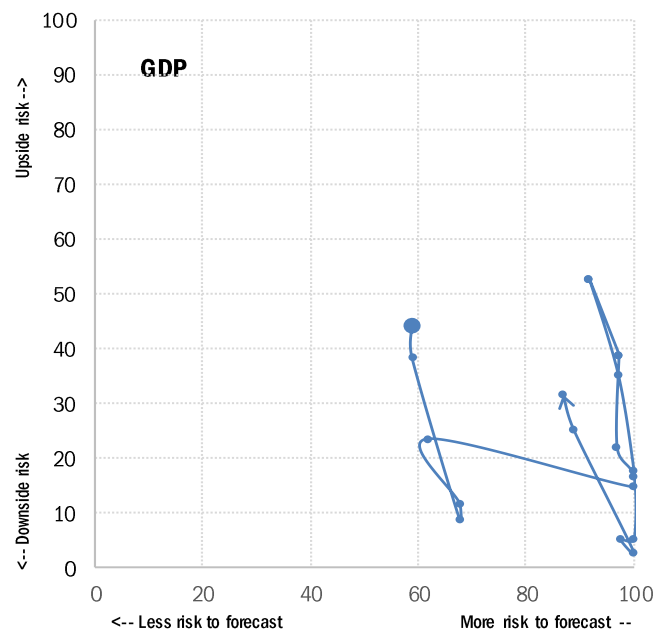
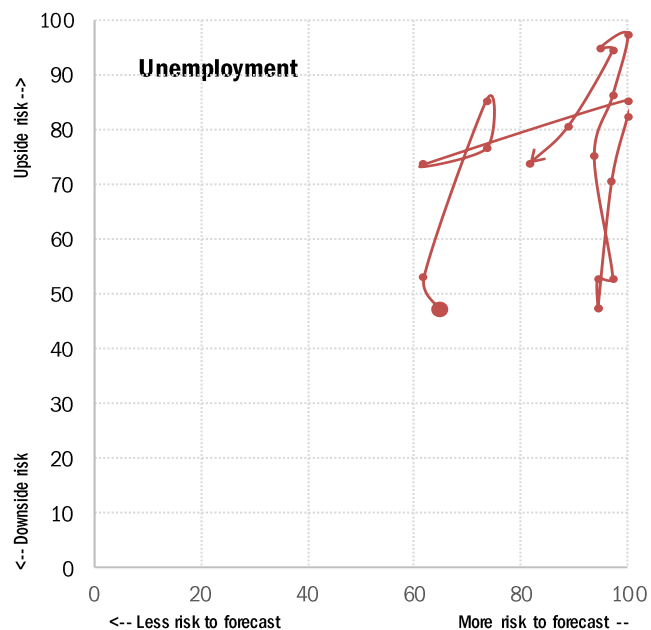
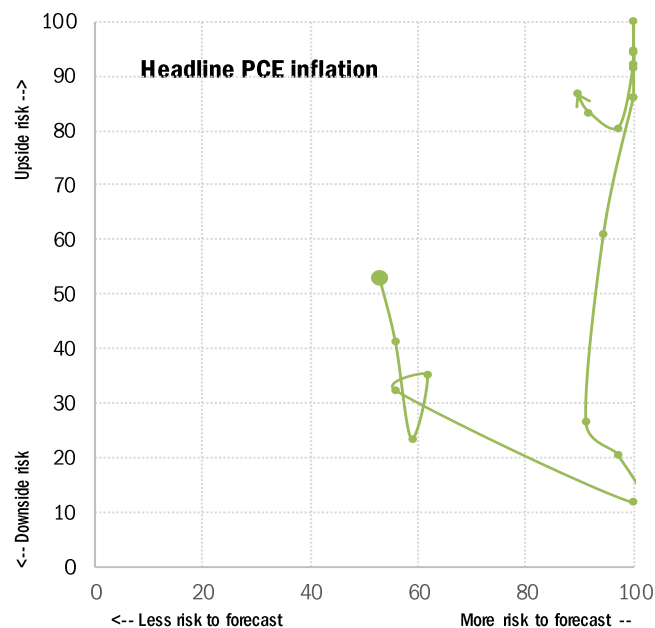
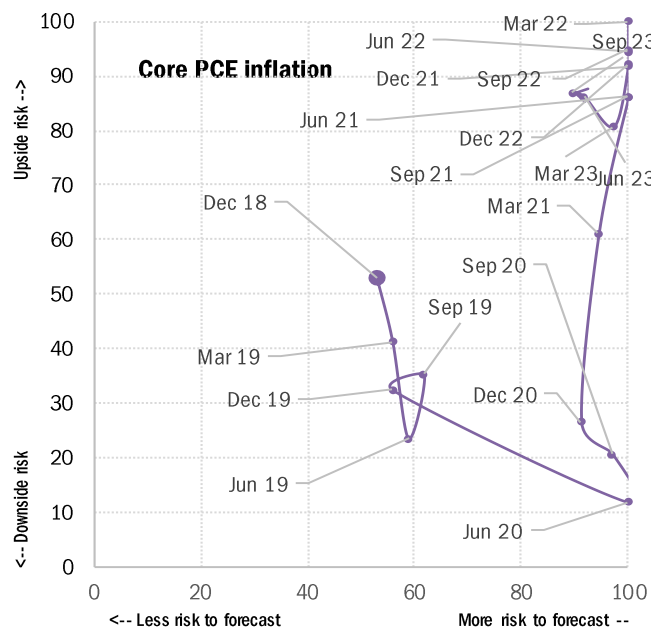
## Real GDP



Source: Federal Reserve, BEA, BLS, TrendMacro calculations

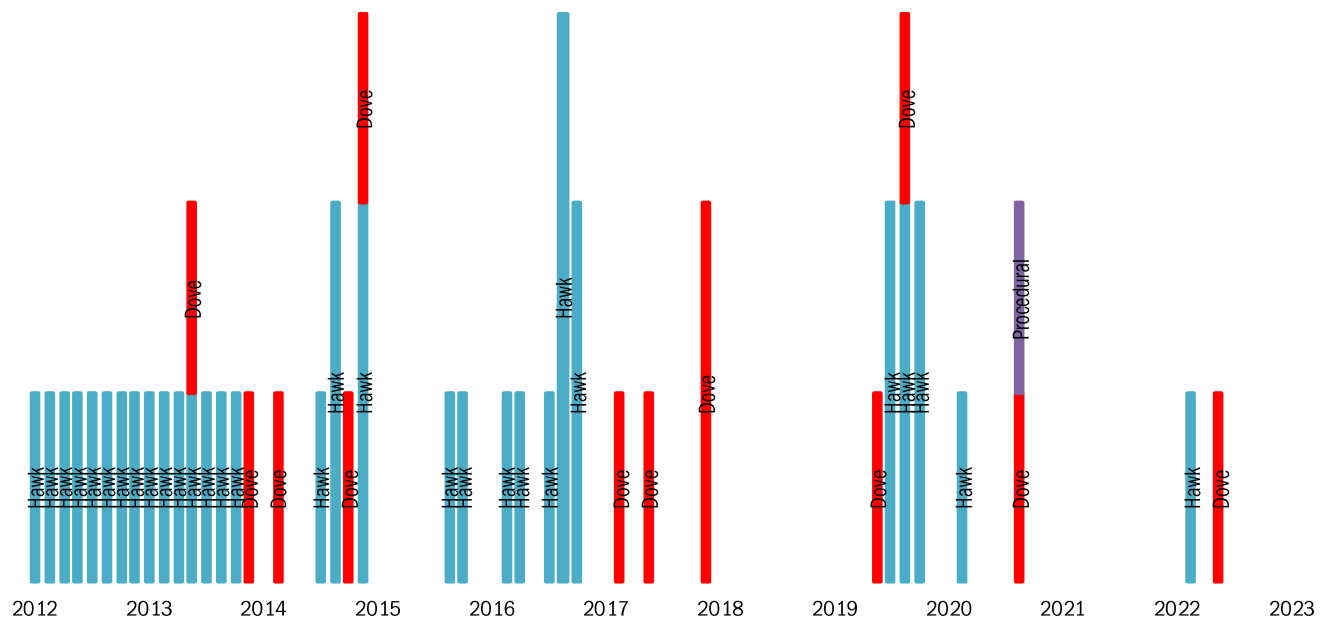
# The evolution of uncertainty

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



Source: Federal Reserve Board, TrendMacro calculations

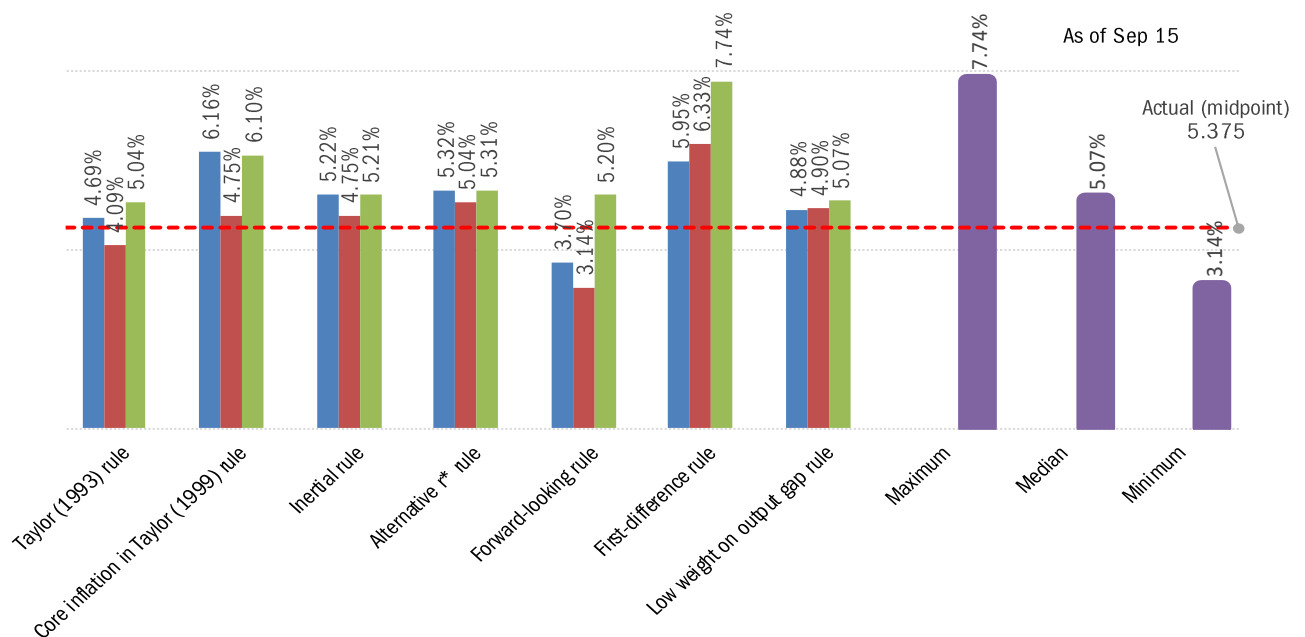
## Other voices: number and direction of FOMC decision dissents



Source: FOMC, TrendMacro calculations

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

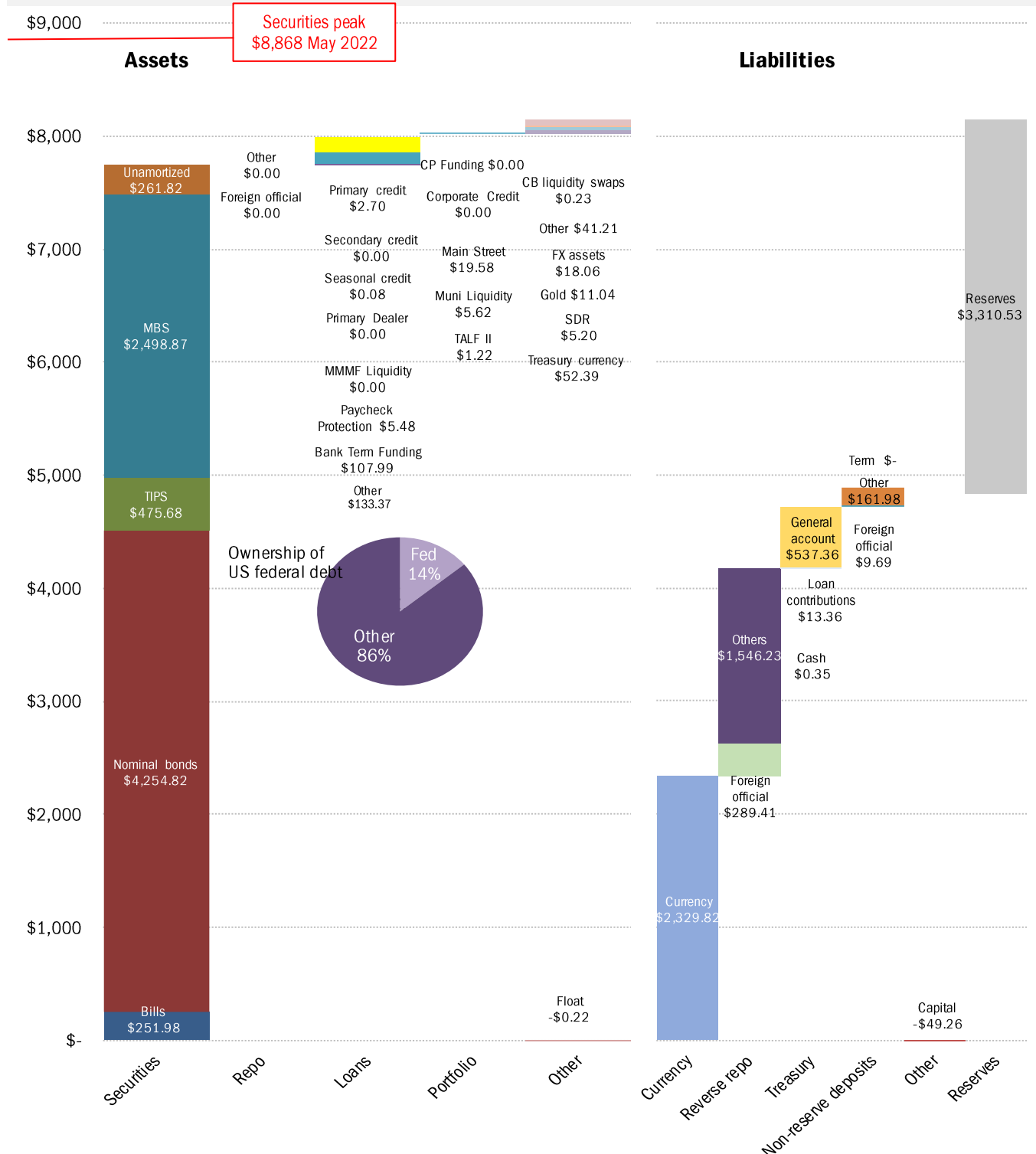
As of June 1, 2023 Based on inputs from: FOMC SEP CBO Cleveland Fed



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

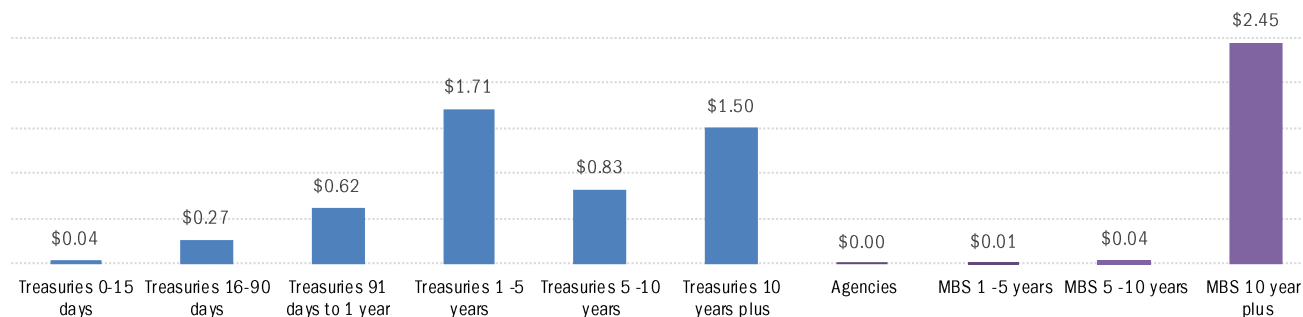


# The Fed's assets, and how they are funded (USD billions)



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

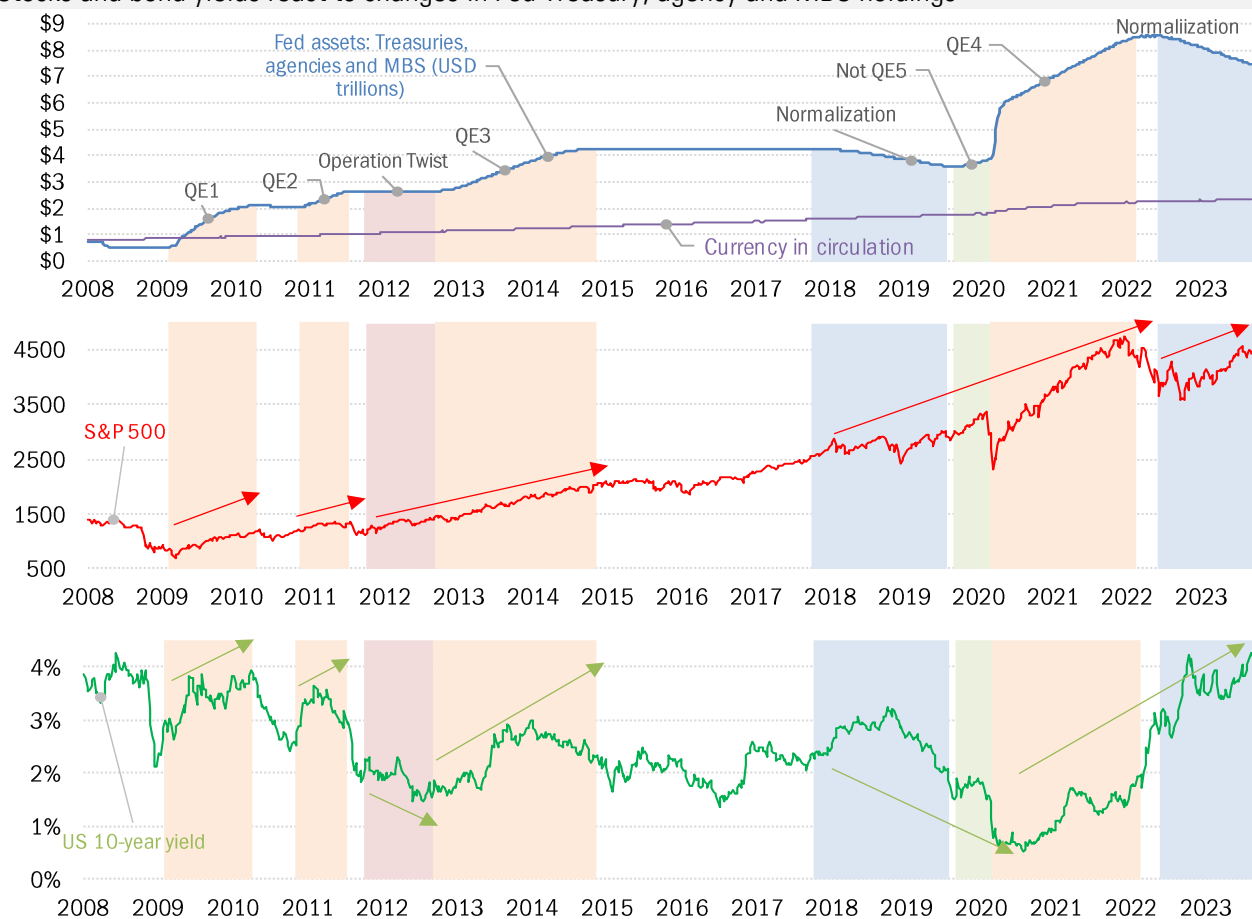
## Sector and maturity breakdown of Fed government securities, USD trillions



Source: Federal Reserve, Bloomberg, TrendMacro calculations

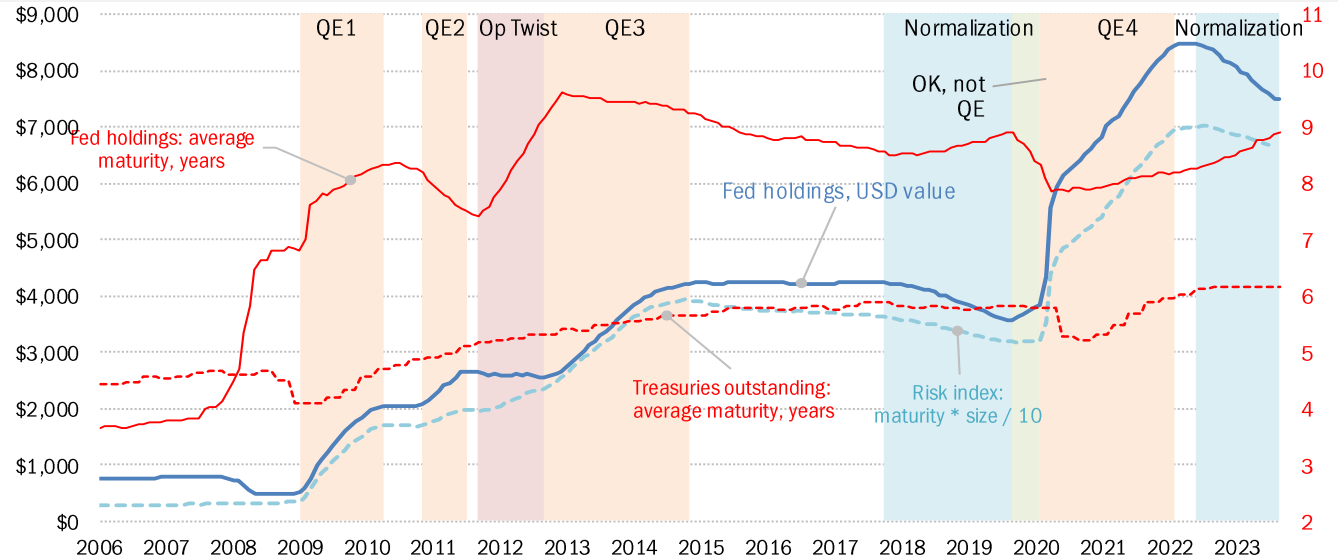
## The Fed's asset purchases, and their effects on markets

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



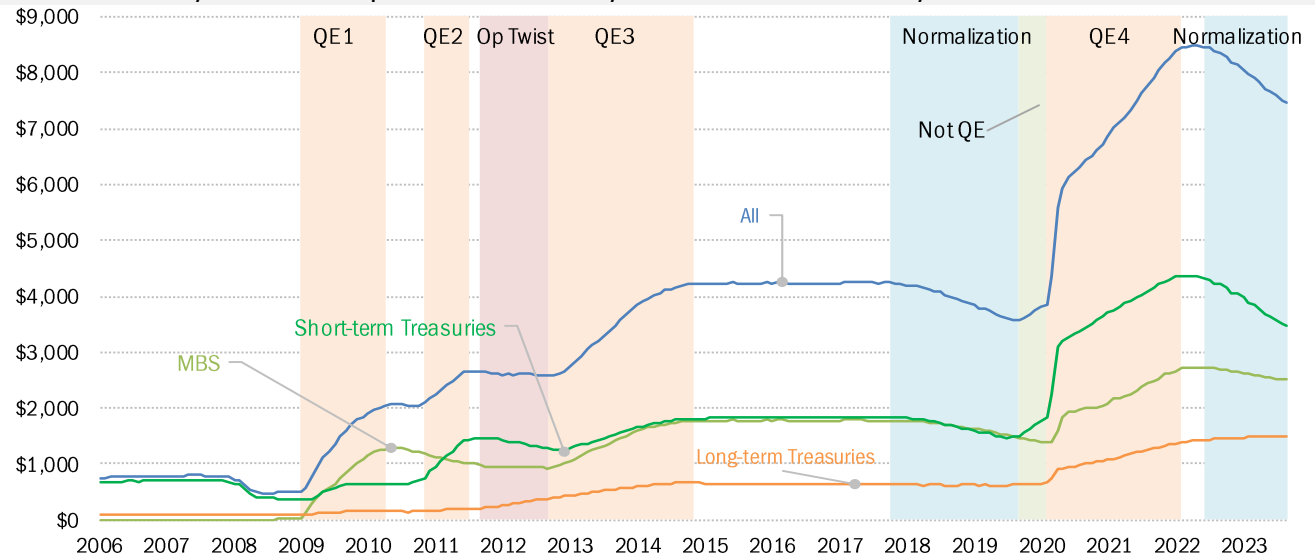
Source: Federal Reserve, Bloomberg, TrendMacro calculations

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



Source: Federal Reserve, Bloomberg, TrendMacro calculations

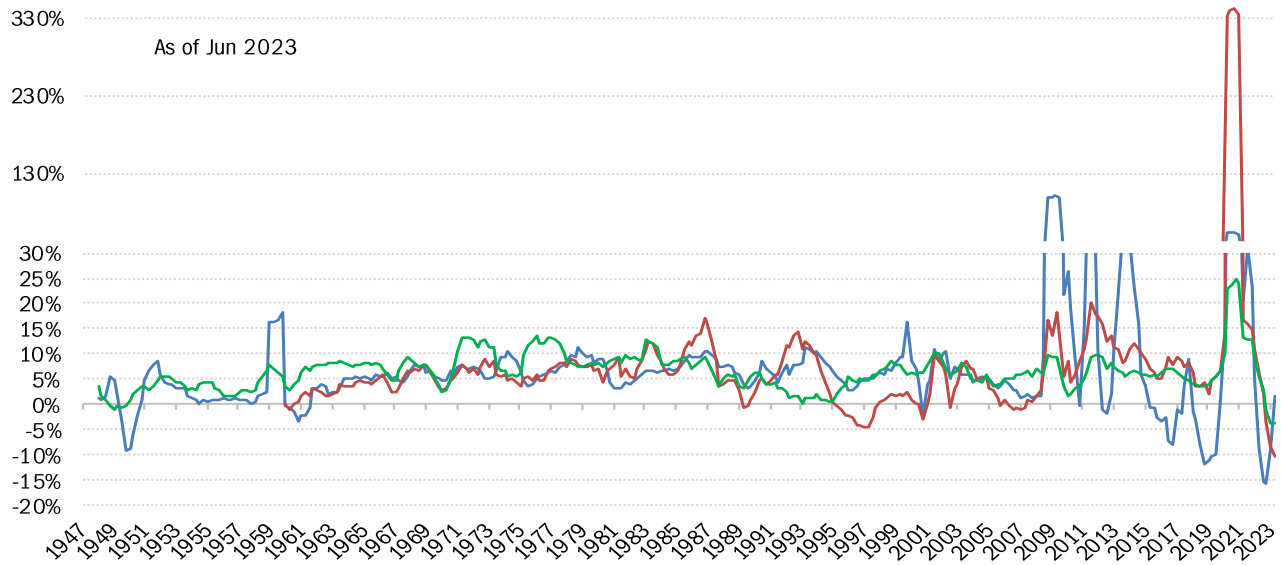
## Fed Treasury and MBS portfolio: size by sector and maturity



Source: Federal Reserve, Bloomberg, TrendMacro calculations

## Money supply growth, YOY quarterly

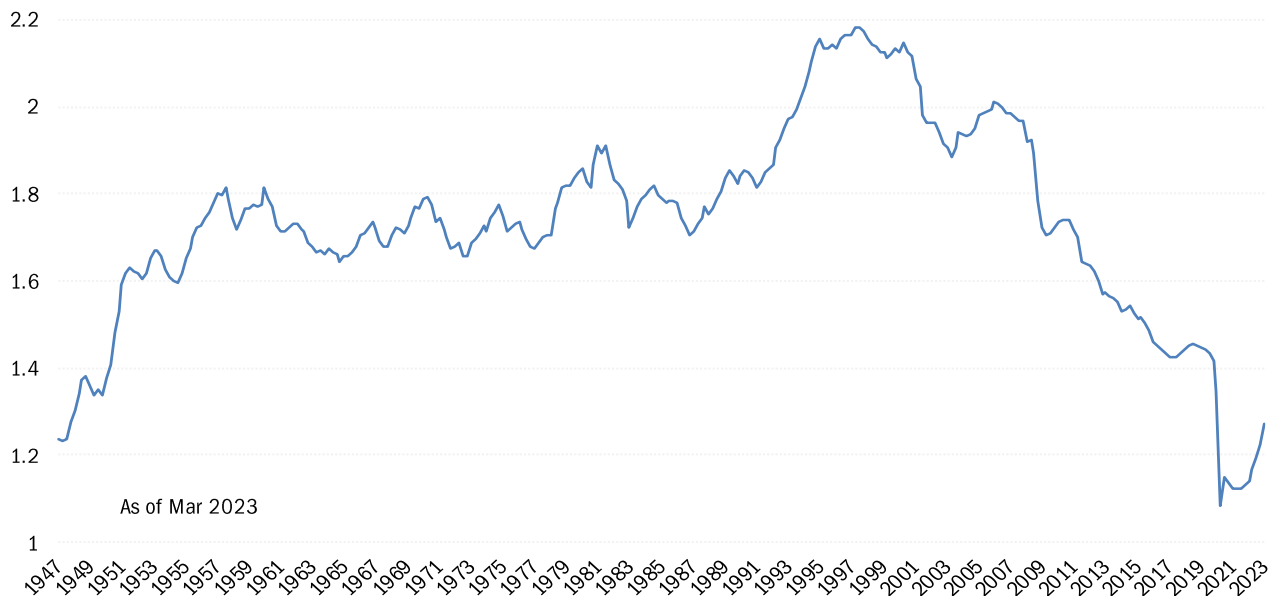
— M1 — M2 — Monetary base



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