Data Insights: Federal Reserve
Wednesday, March 20, 2023

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

~~January 31~~March 20, 2024

Federal Reserve issues FOMC statement

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

Recent indicators suggest that economic activity has been expanding at a solid pace. Job gains have ~~moderated since early last year but remain~~ remained strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee judges that the risks to achieving its employment and inflation goals are moving into better balance. The economic outlook is uncertain, and the Committee remains highly attentive to inflation risks.

In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 5-1/4 to 5-1/2 percent. In considering any adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent. 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; Thomas I. Barkin; Michael S. Barr; Raphael W. Bostic; Michelle W. Bowman; Lisa D. Cook; Mary C. Daly; Philip N. Jefferson; Adriana D. Kugler; Loretta J. Mester; and Christopher J. Waller.

TrendMacro analysis

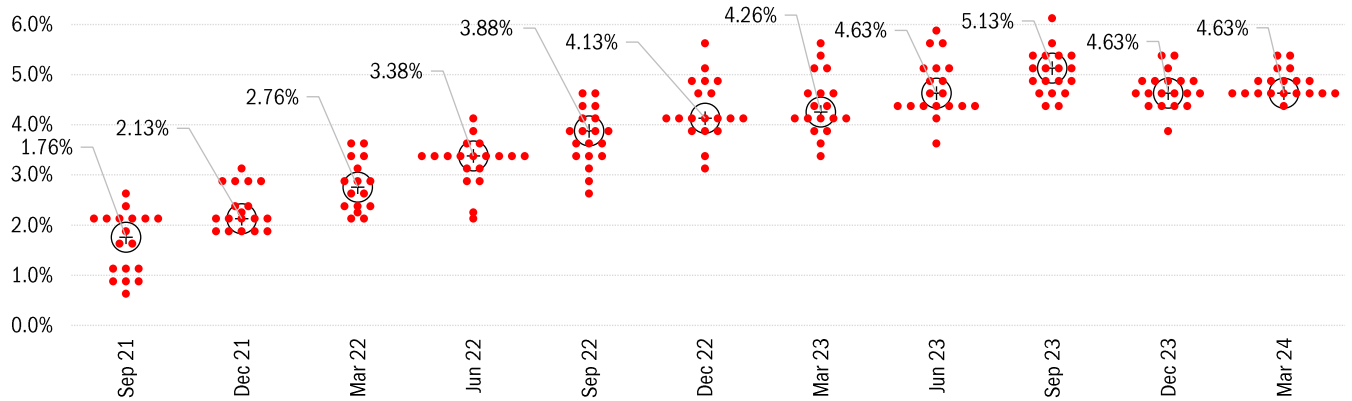# "Dot plots" of "appropriate policy path" in the pandemic funds rate cycle
As of March FOMC

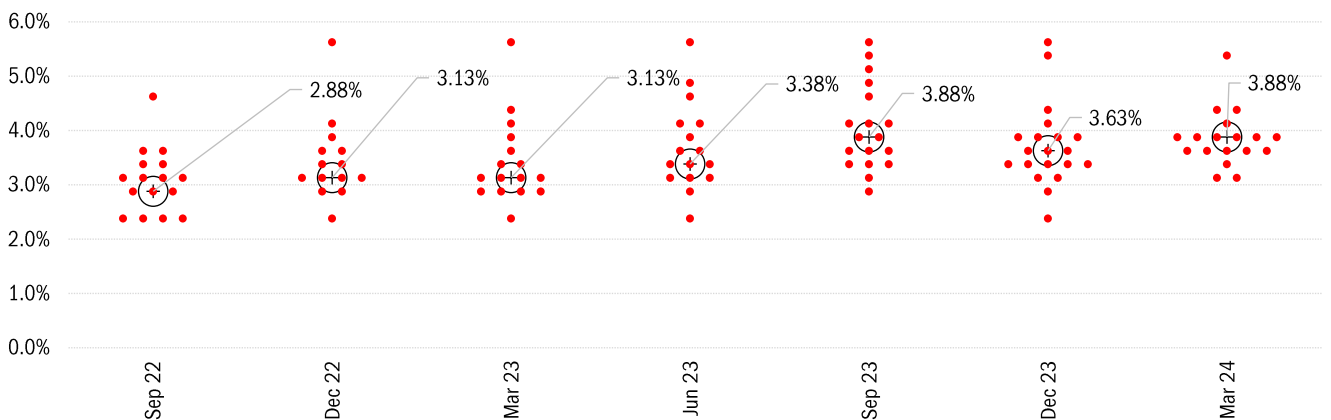Source: Federal Reserve [SEP](#), TrendMacro calculations
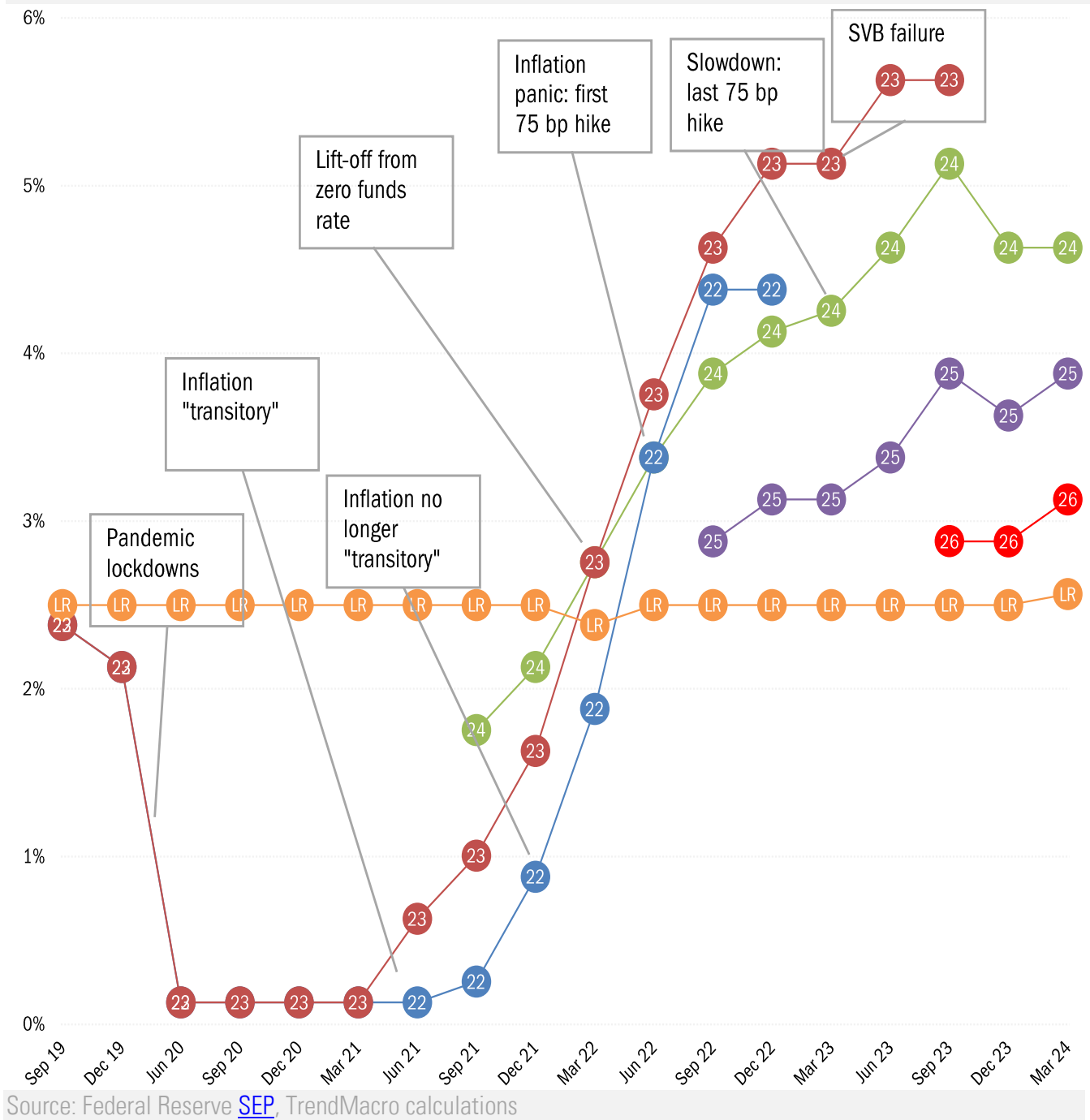
Tracking the "dotplots" in high-res   As of March FOMC

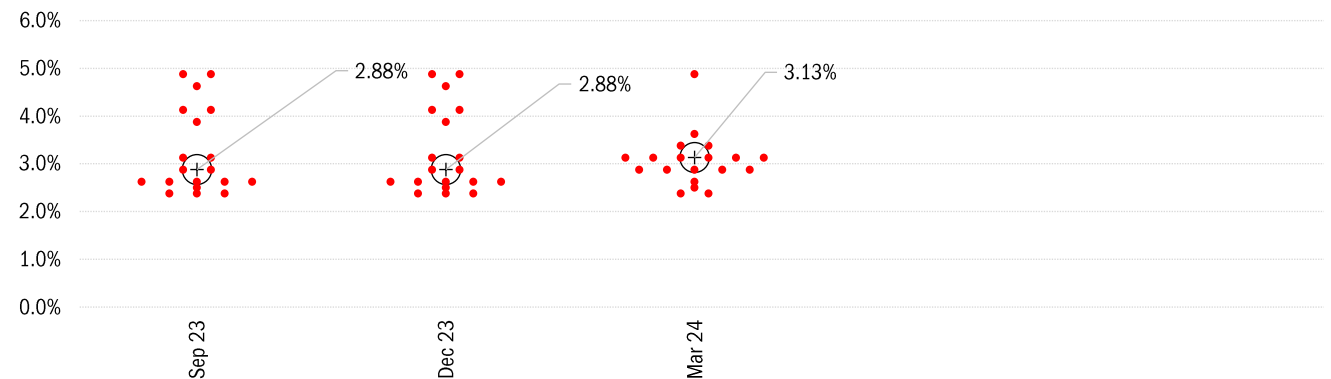FOMC participants' estimate of "appropriate" target fed funds rate   ● Vote by participant   ○ Median

For year-end 2024
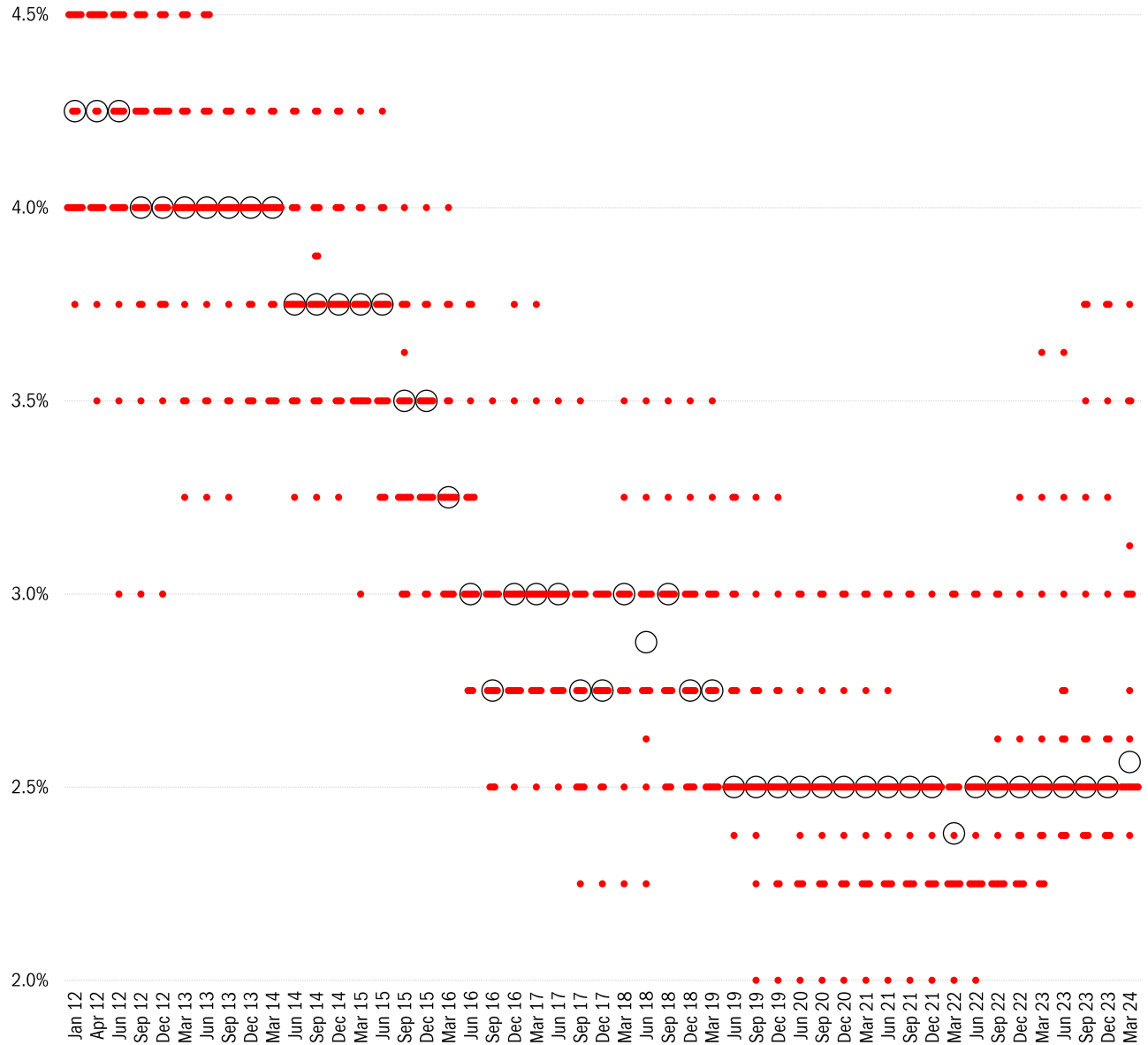

For year-end 2025

For year-end 2026

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

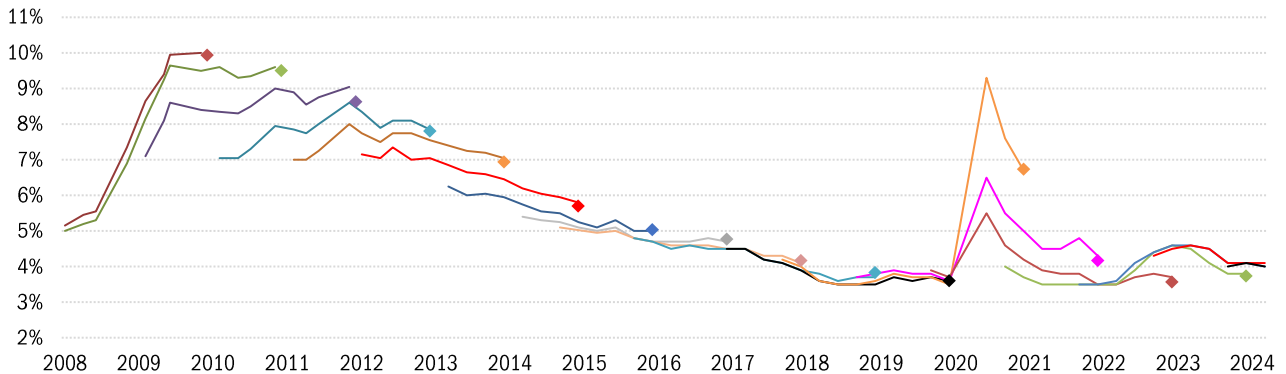FOMC participants' estimate of "longer run" target funds rate   ● Individual participant   ○ Median

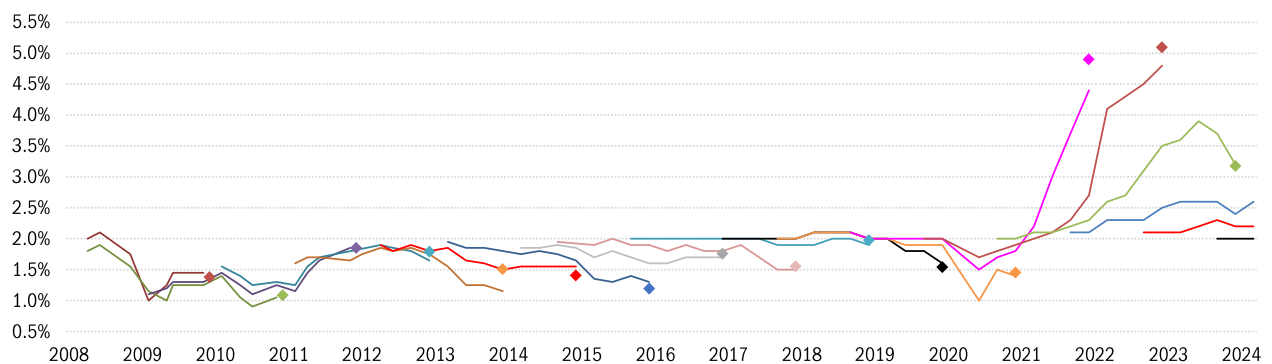# Forecast v actual: [economic projections](#) FRB and presidents

— Forecast ◆ Actual

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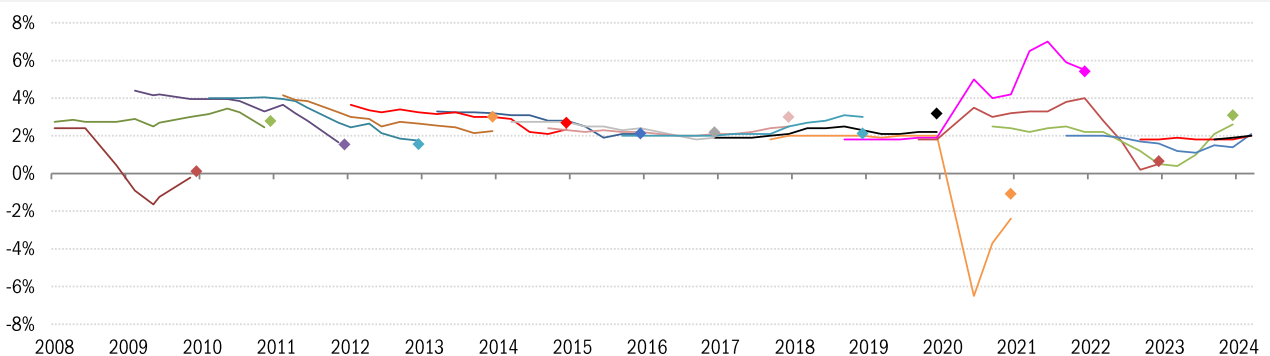
Unemployment

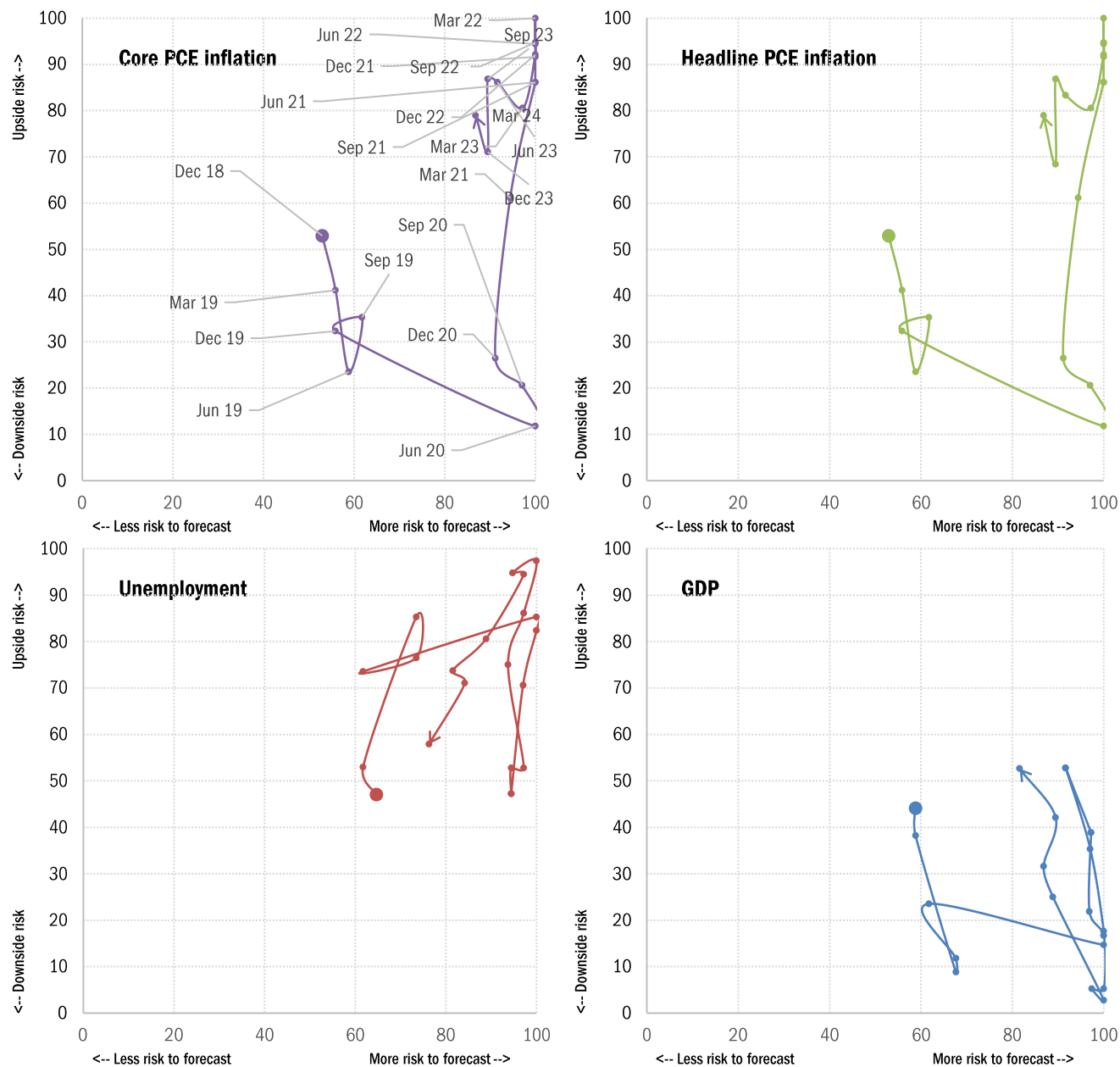## Core PCE inflation

Real GDP

Source: Federal Reserve, BEA, BLS, TrendMacro calculations

The evolution of uncertainty   As of March 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
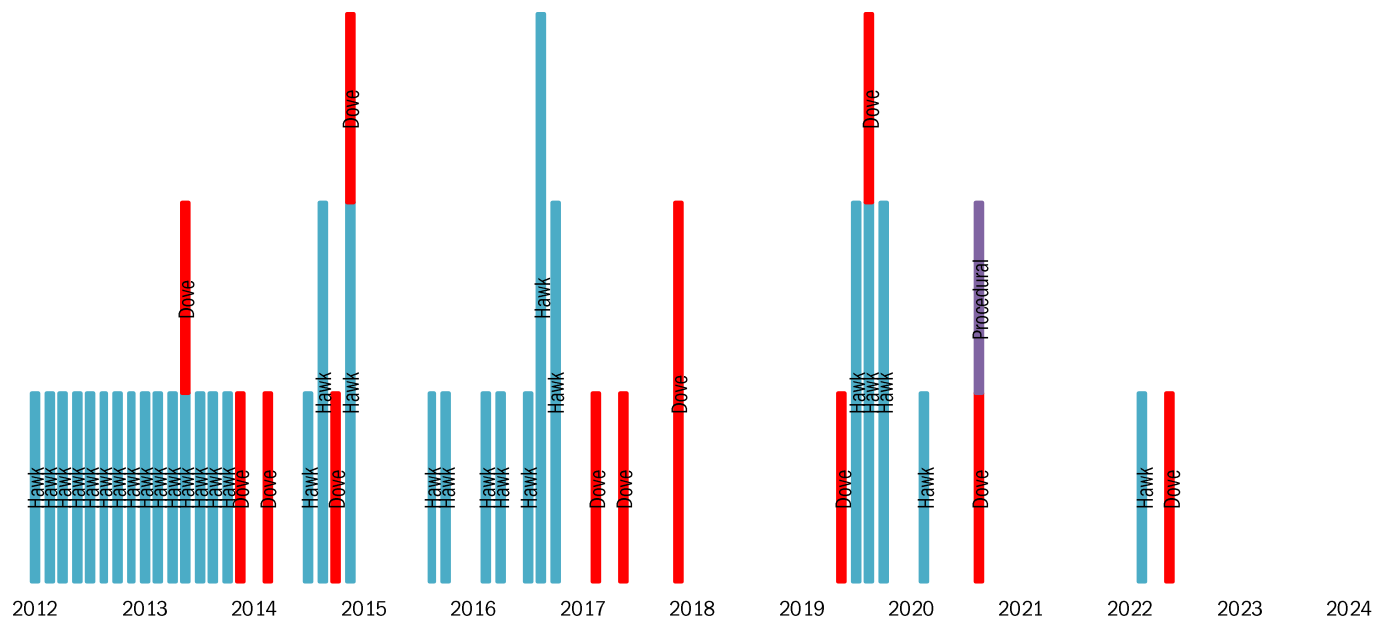
Source: FOMC, TrendMacro calculations

So many policy rules, so little inclination to follow any of them…
As of September 7, 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)
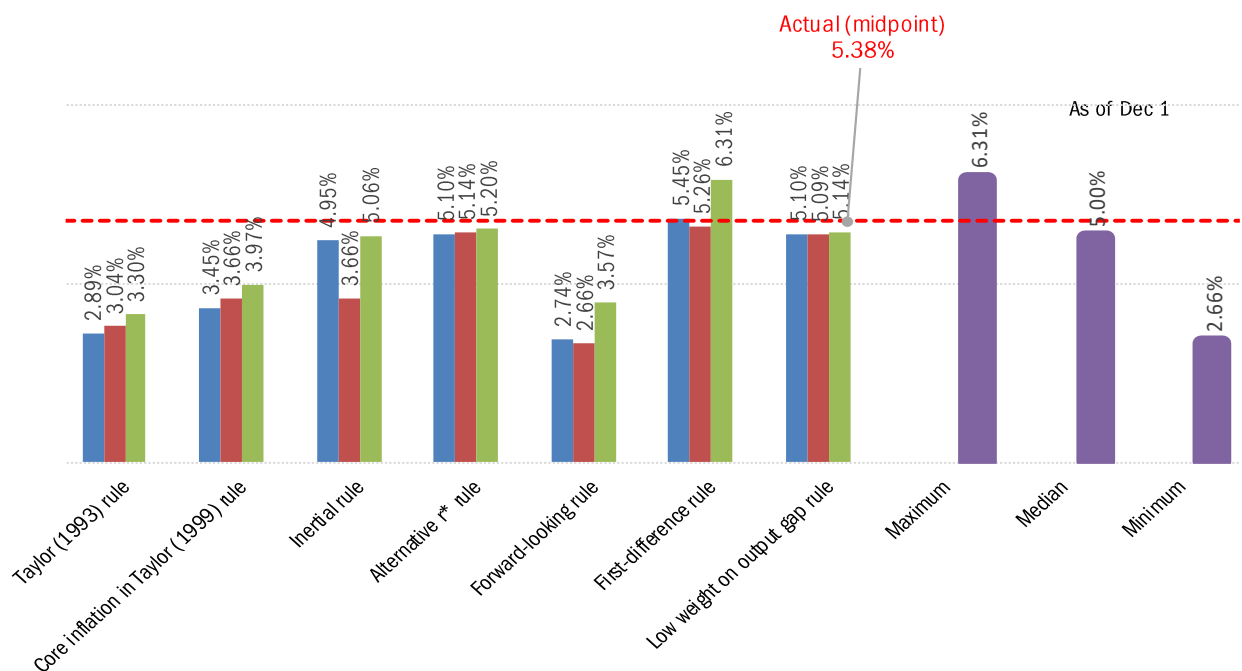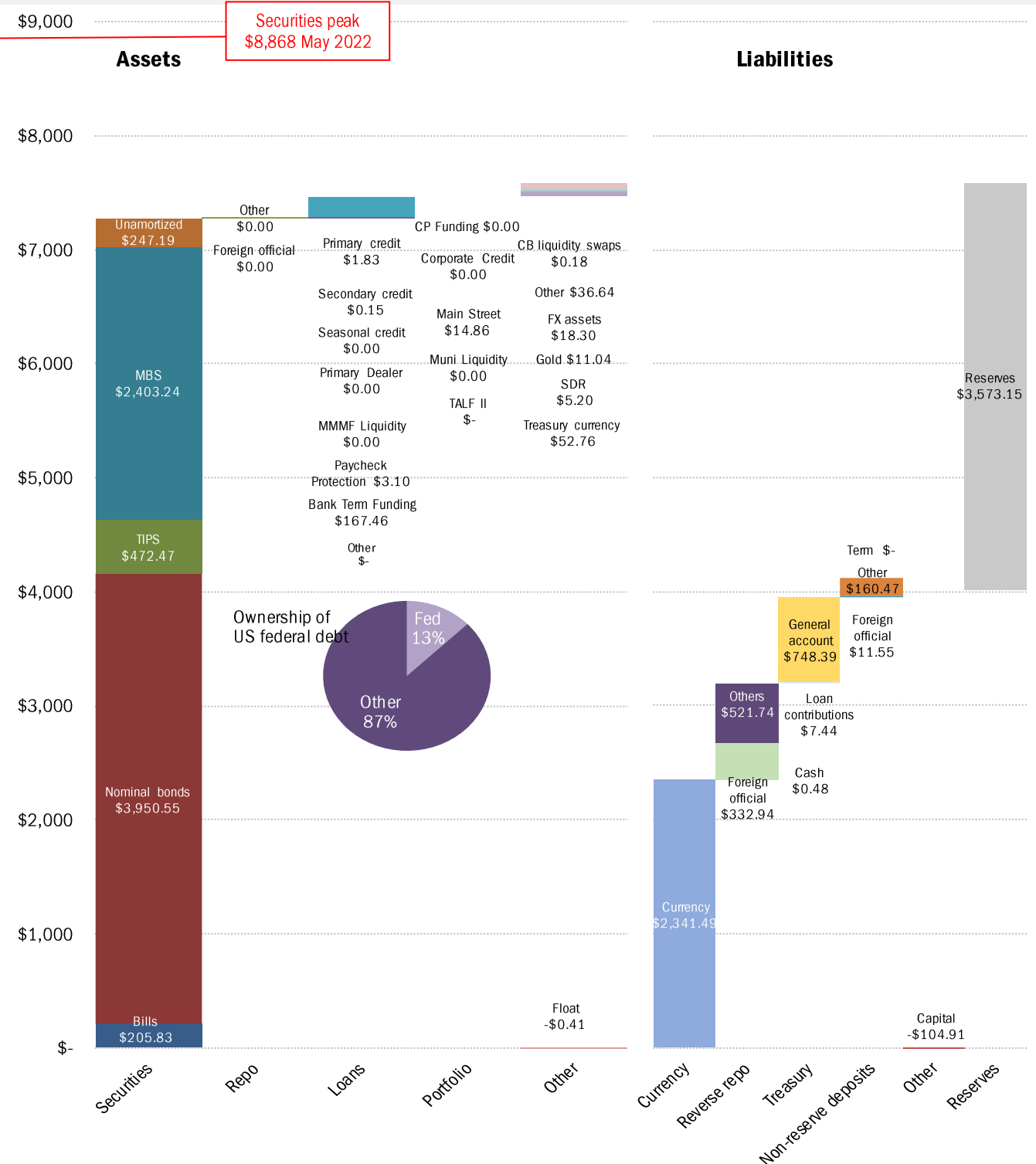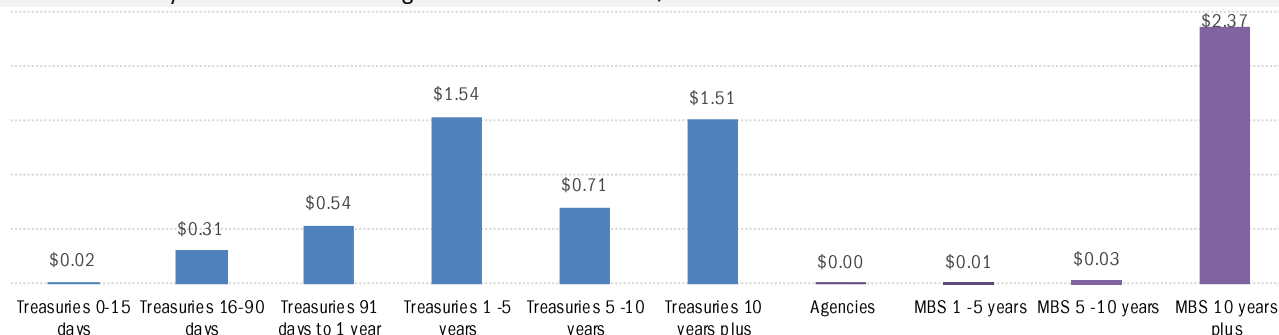

Securities peak $8,868 May 2022

Assets

Liabilities

Ownership of US federal debt: Fed 13%, Other 87%

Assets:
- Securities: Unamortized $247.19, MBS $2,403.24, TIPS $472.47, Nominal bonds $3,950.55, Bills $205.83
- Repo: Foreign official $0.00, Other $0.00
- Loans: Primary credit $1.83, Secondary credit $0.15, Seasonal credit $0.00, Primary Dealer $0.00, MMMF Liquidity $0.00, Paycheck Protection $3.10, Bank Term Funding $167.46, Other $-, Corporate Credit $0.00, Main Street $14.86, Muni Liquidity $0.00, TALF II $-, CP Funding $0.00
- Portfolio: CB liquidity swaps $0.18, Other $36.64, FX assets $18.30, Gold $11.04, SDR $5.20, Treasury currency $52.76
- Other: Float -$0.41

Liabilities:
- Currency $2,341.49
- Reverse repo: Foreign official $332.94, Others $521.74
- Treasury: Cash $0.48, Loan contributions $7.44, General account $748.39
- Non-reserve deposits: Foreign official $11.55, Other $160.47, Term $-
- Other: Capital -$104.91
- Reserves $3,573.15

Sector and maturity breakdown of Fed government securities, USD trillions

Bar chart values:
- Treasuries 0-15 days: $0.02
- Treasuries 16-90 days: $0.31
- Treasuries 91 days to 1 year: $0.54
- Treasuries 1-5 years: $1.54
- Treasuries 5-10 years: $0.71
- Treasuries 10 years plus: $1.51
- Agencies: $0.00
- MBS 1-5 years: $0.01
- MBS 5-10 years: $0.03
- MBS 10 years plus: $2.37

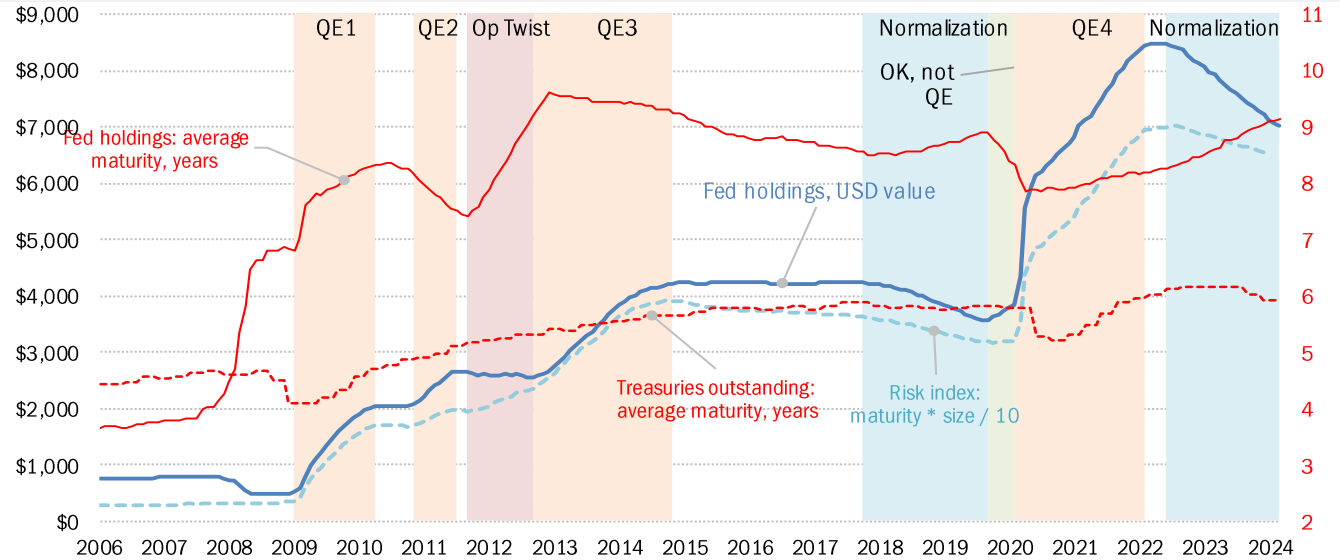Source: Federal Reserve, Bloomberg, TrendMacro calculations

The Fed's asset purchases, and their effects on markets
Stocks and bond yields react to changes in Fed Treasury, agency and MBS holdings
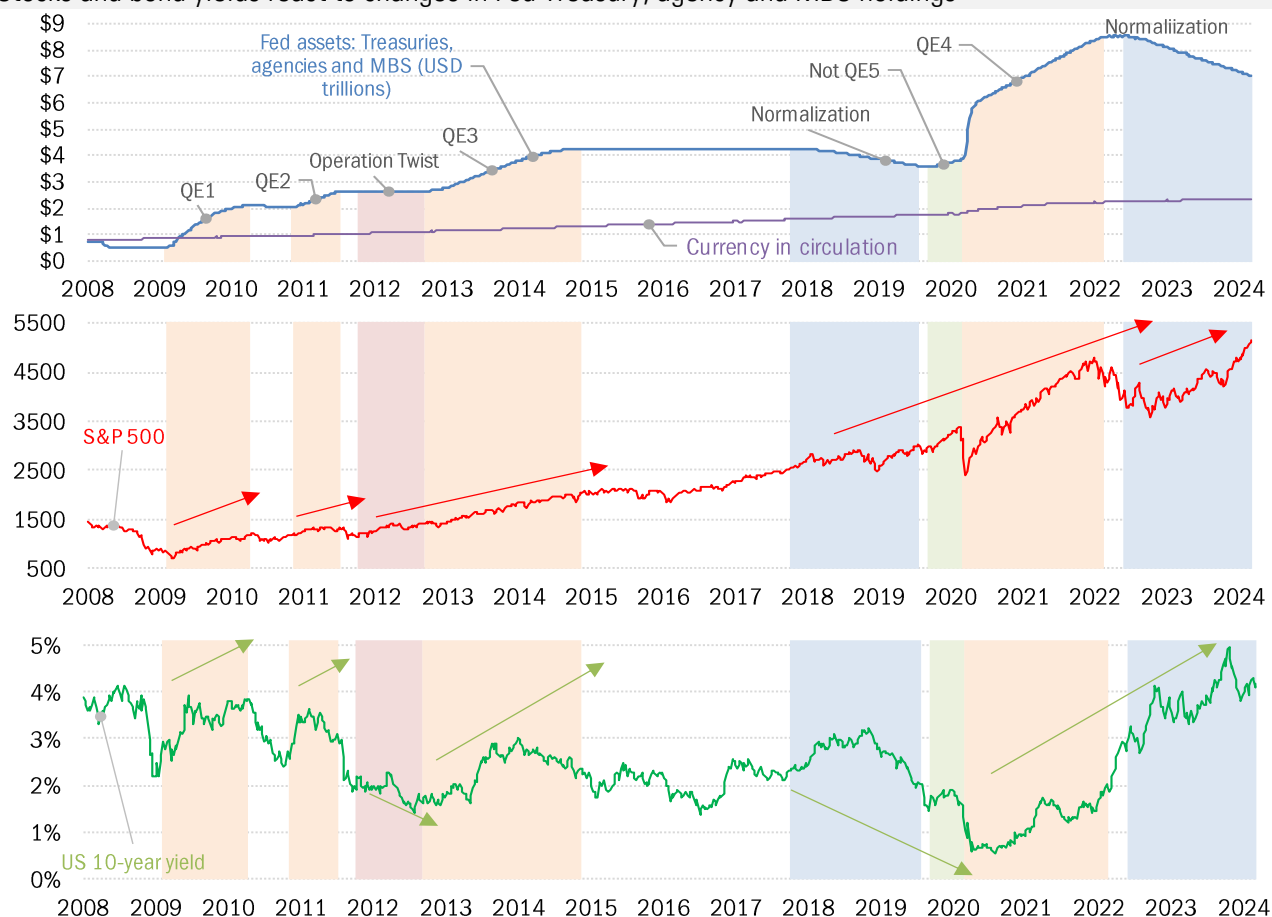
Fed assets: Treasuries, agencies and MBS (USD trillions)

Labels: QE1, QE2, Operation Twist, QE3, Normalization, Not QE5, QE4, Normaliization, Currency in circulation
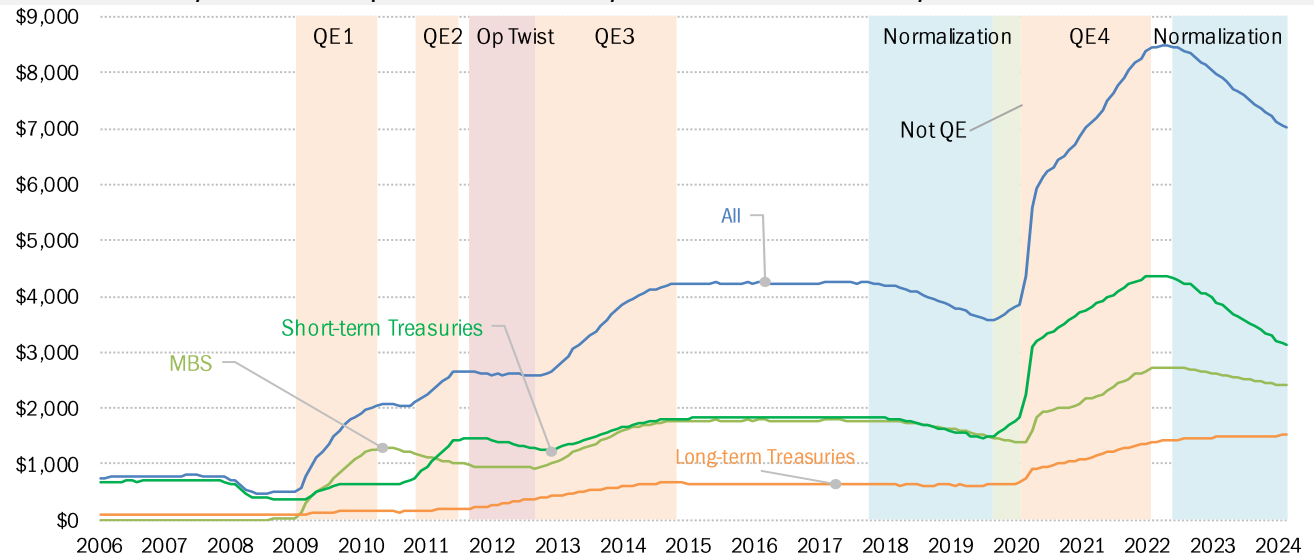
S&P 500

US 10-year yield

Source: Federal Reserve, Bloomberg, TrendMacro calculations

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

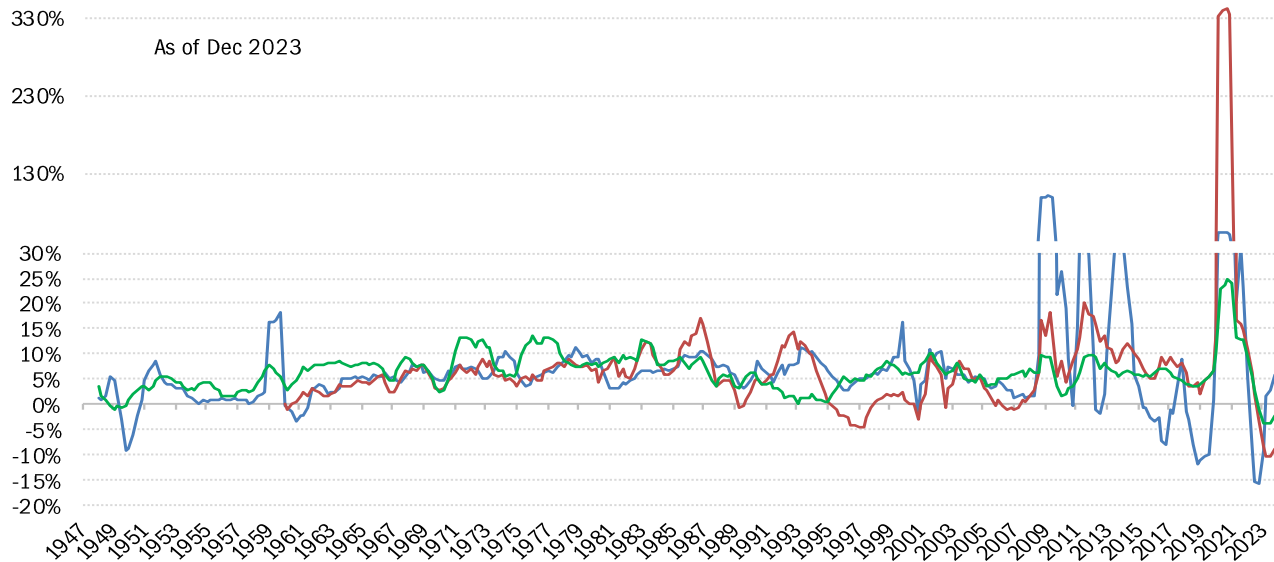Source: Federal Reserve, Bloomberg, TrendMacro calculations

Fed Treasury and MBS portfolio: size by sector and maturity

Source: Federal Reserve, Bloomberg, TrendMacro calculations
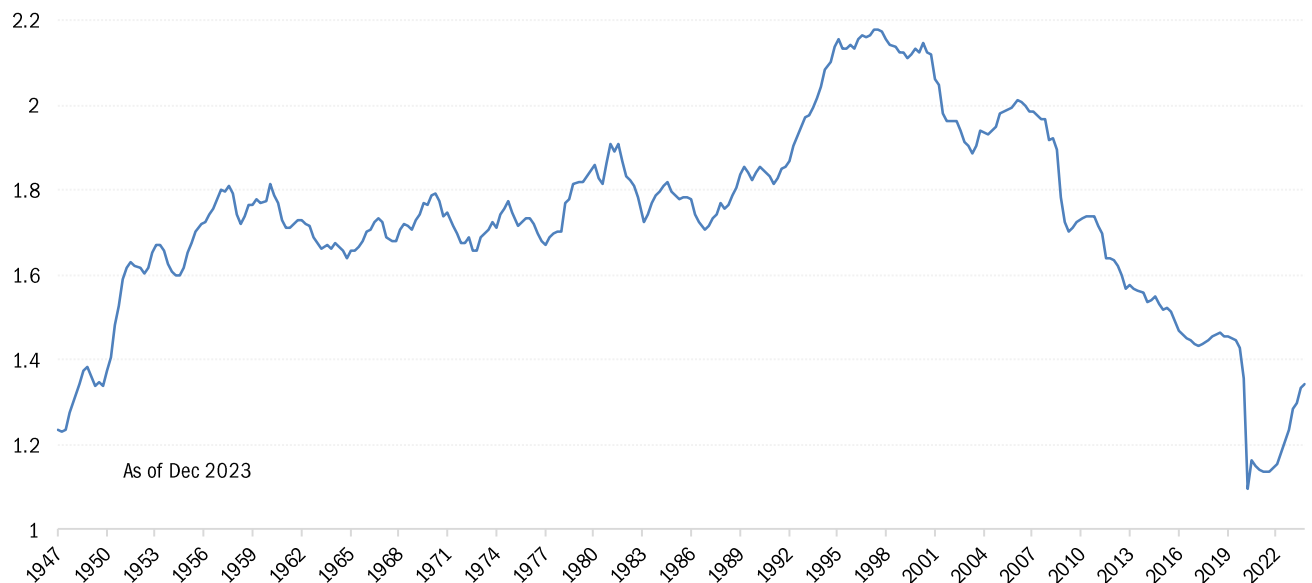
Money supply growth, YOY quarterly

— M1 — M2 — Monetary base

As of Dec 2023

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

Monetary velocity, quarterly

Derived from the Equation of Exchange: M2 * V = P * NGDP

As of Dec 2023

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