

Data Insights: Federal Reserve

Wednesday, September 18, 2023

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

~~July 31~~September 18, 2024

Federal Reserve issues FOMC statement

Recent indicators suggest that economic activity has continued to expand at a solid pace. Job gains have ~~moderated~~slowed, and the unemployment rate has moved up but remains low. Inflation has ~~eased over the past year but remains somewhat elevated. In recent months, there has been some~~made further progress toward the Committee's 2 percent inflation objective but remains somewhat elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee has gained greater confidence that inflation is moving sustainably toward 2 percent, and judges that the risks to achieving its employment and inflation goals ~~continue to move into better~~are roughly in balance. The economic outlook is uncertain, and the Committee is attentive to the risks to both sides of its dual mandate.

In ~~support~~light of ~~its goal~~the progress on inflation and the balance of risks, the Committee decided to ~~maintain~~lower the target range for the federal funds rate ~~at 5-1/4~~by 1/2 percentage point to ~~4-3/4 to 5-1/2~~ percent. In considering any additional 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~~The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

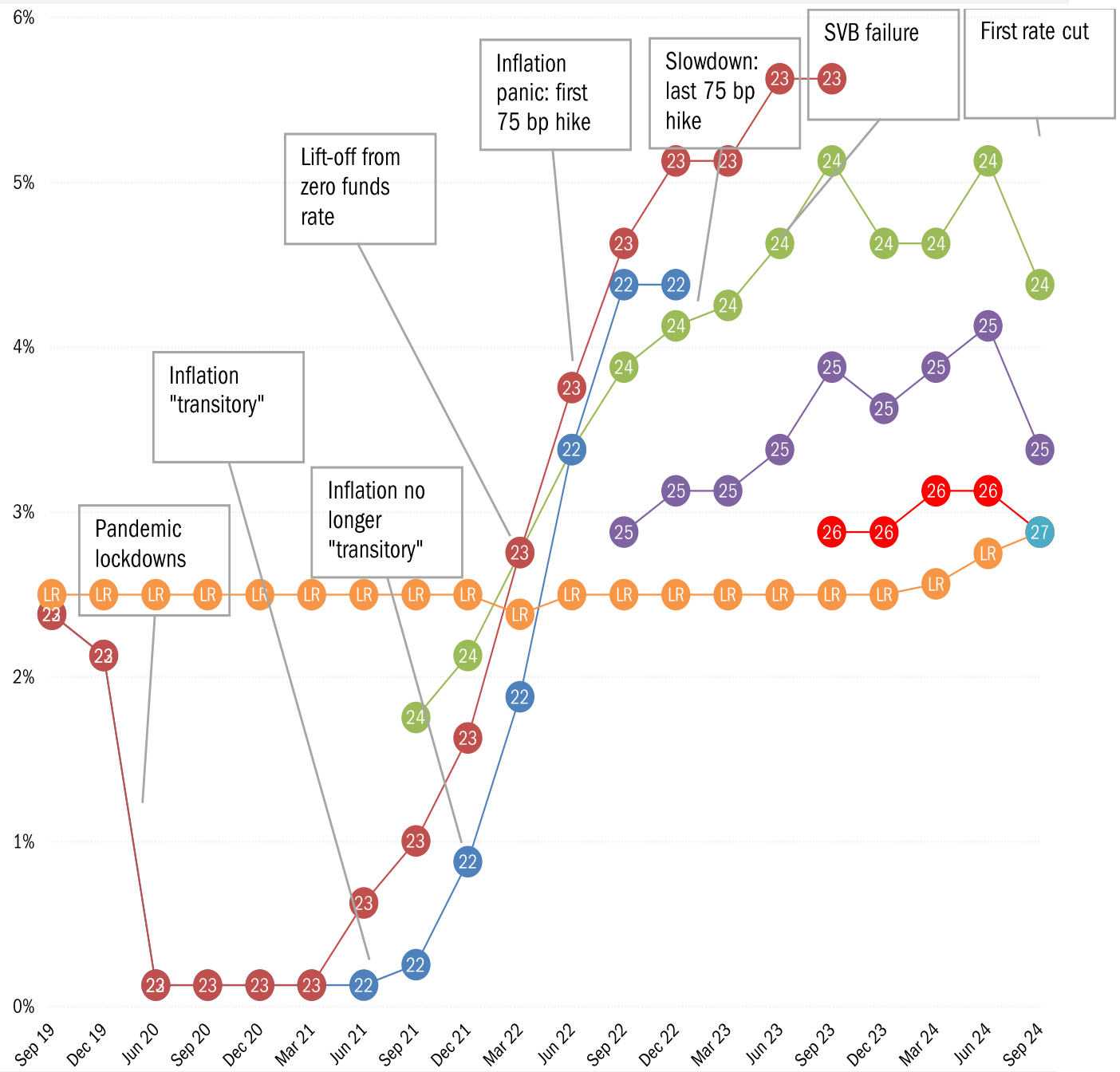
In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of 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; ~~Austan D. Goolsbee~~Beth M. Hammack; Philip N. Jefferson; Adriana D. Kugler; and Christopher J. Waller. ~~Austan D. Goolsbee voted as an alternate member~~Voting

against this action was Michelle W. Bowman, who preferred to lower the target range for the federal funds rate by 1/4 percentage point at this meeting.

Source: FRB, TrendMacro analysis

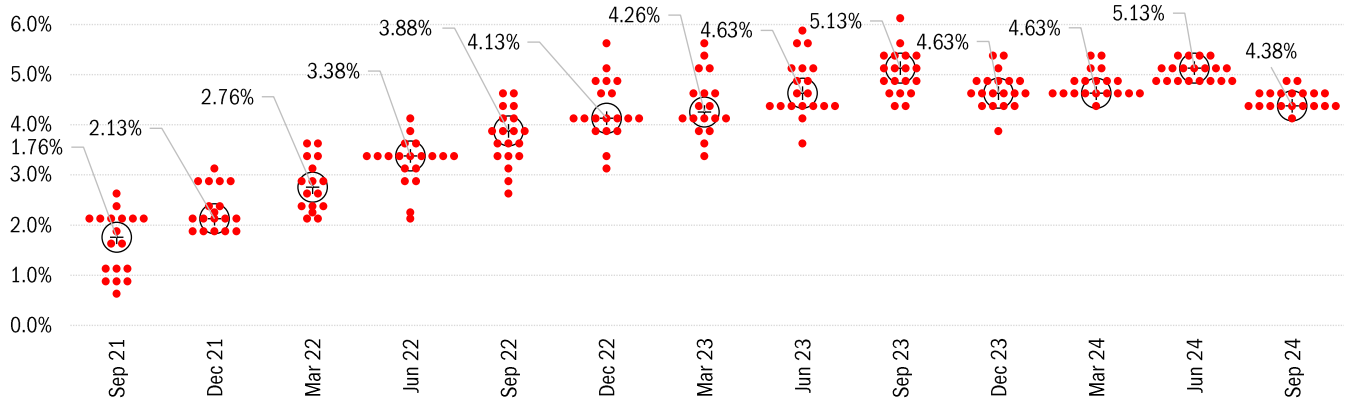
"Dot plots" of "appropriate policy path" in the pandemic funds rate cycle



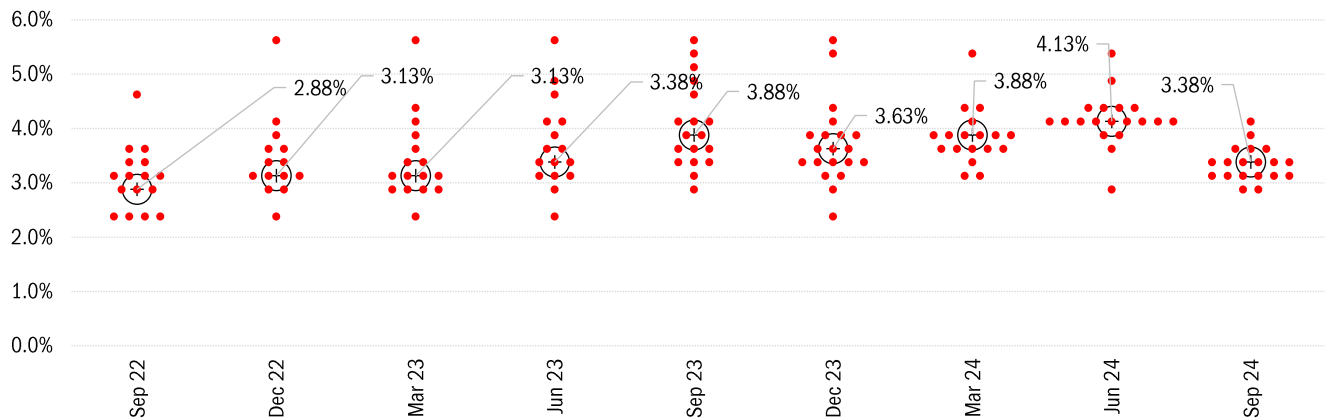
Tracking the "dotplots" in high-res

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

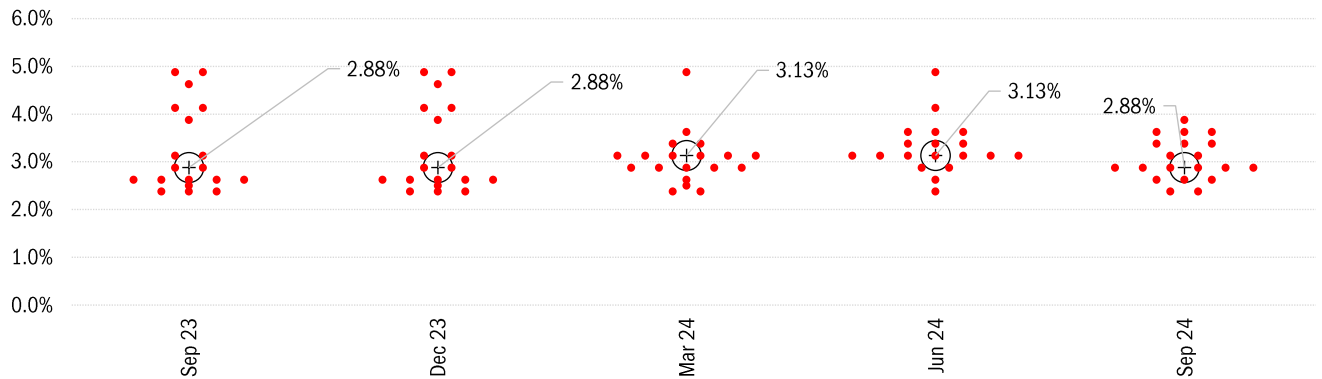
For year-end 2024



For year-end 2025



For year-end 2026



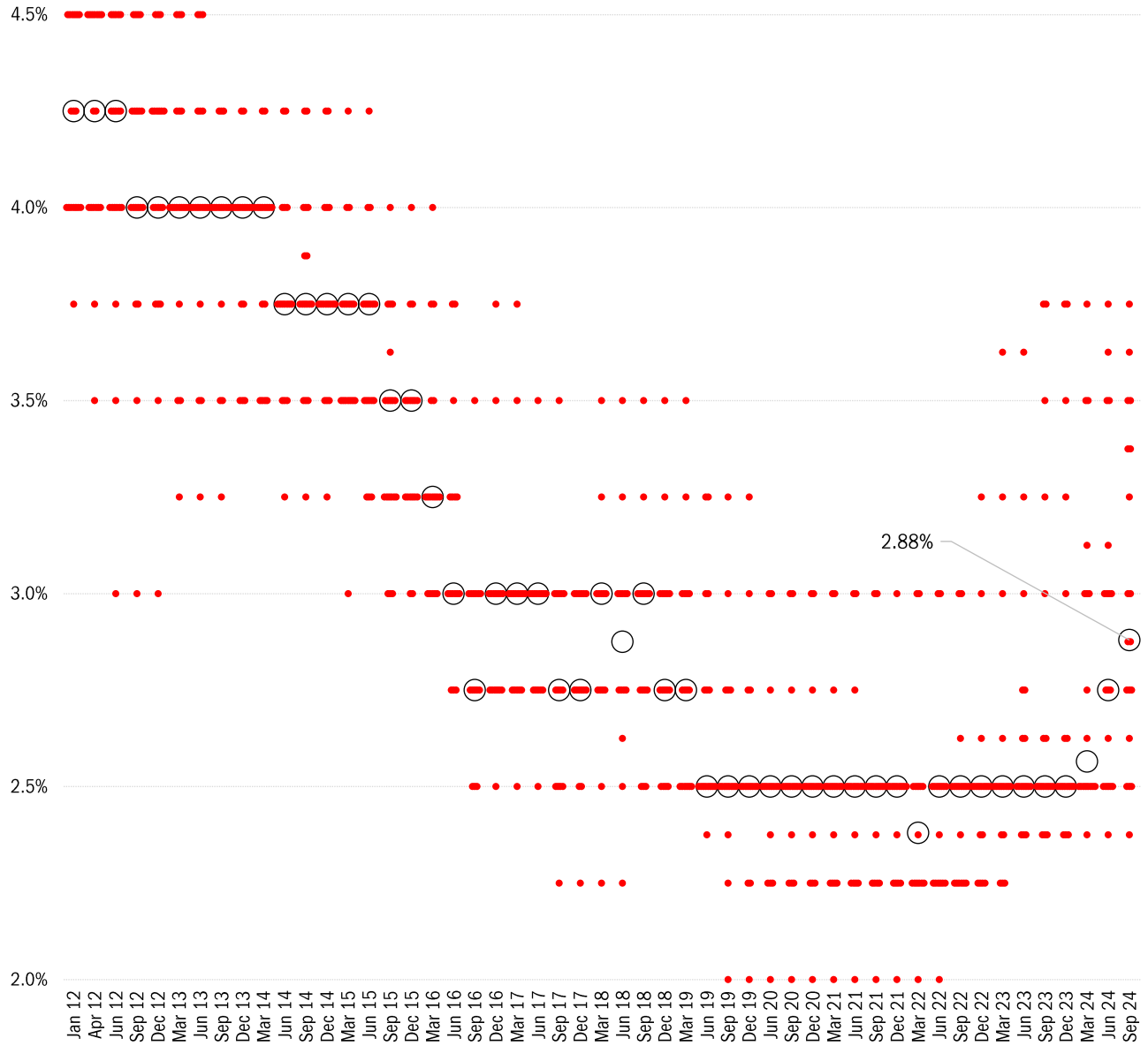
For year-end 2027



"R-star" – the ultimate dot-plot

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

● Individual participant ○ Median



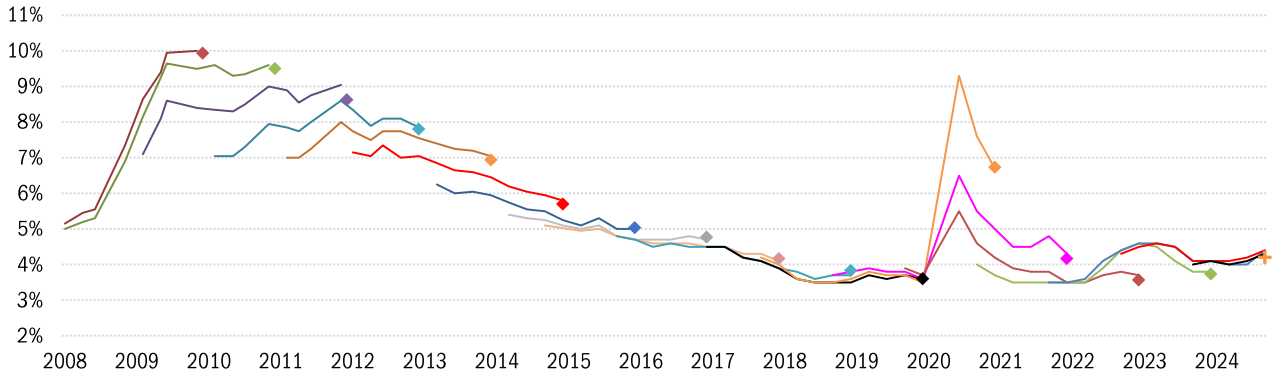
Source: Federal Reserve, TrendMacro calculations

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

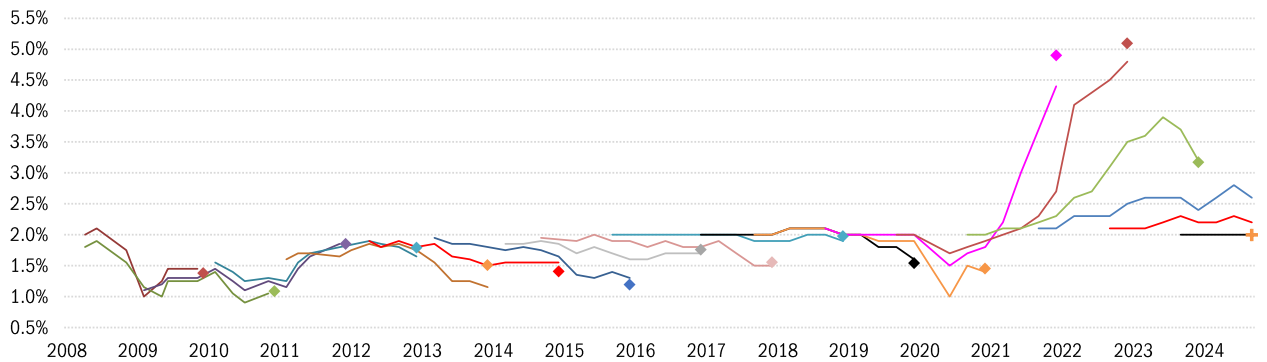
— Forecast ◆ Actual

2009 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 2027

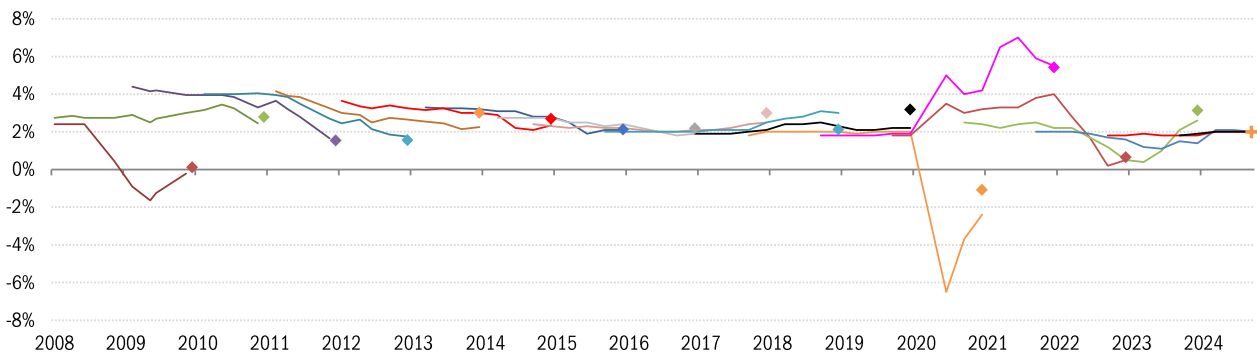
Unemployment



Core PCE inflation



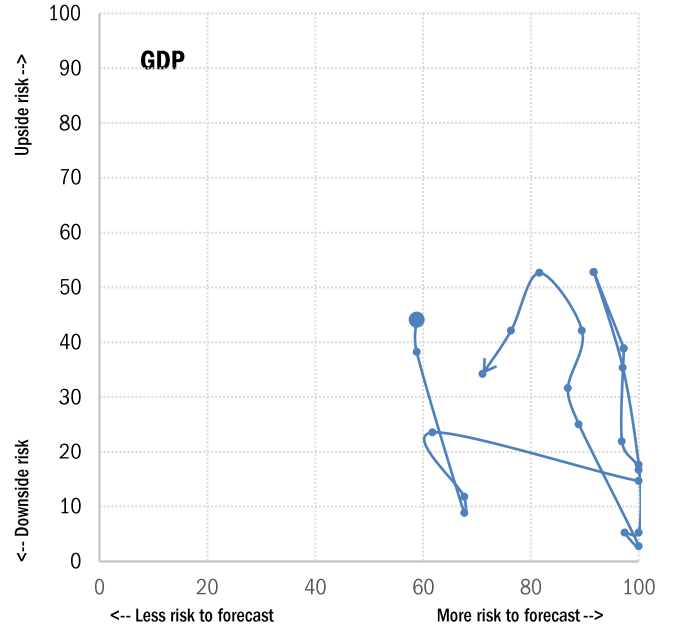
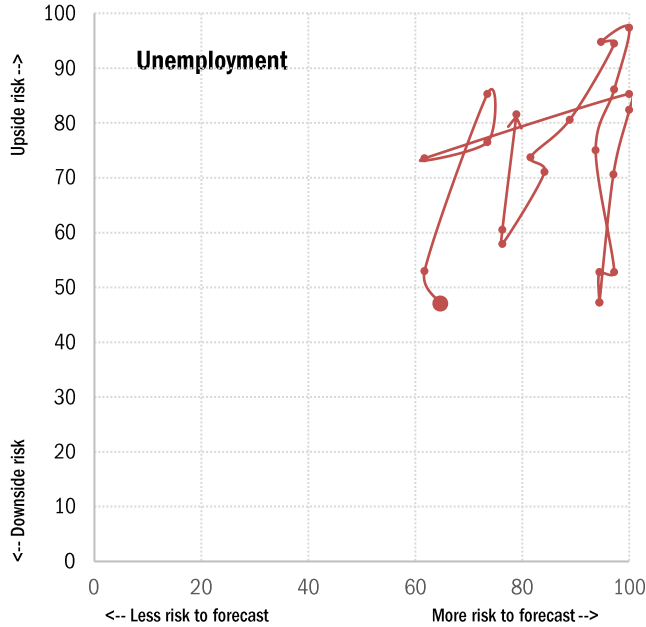
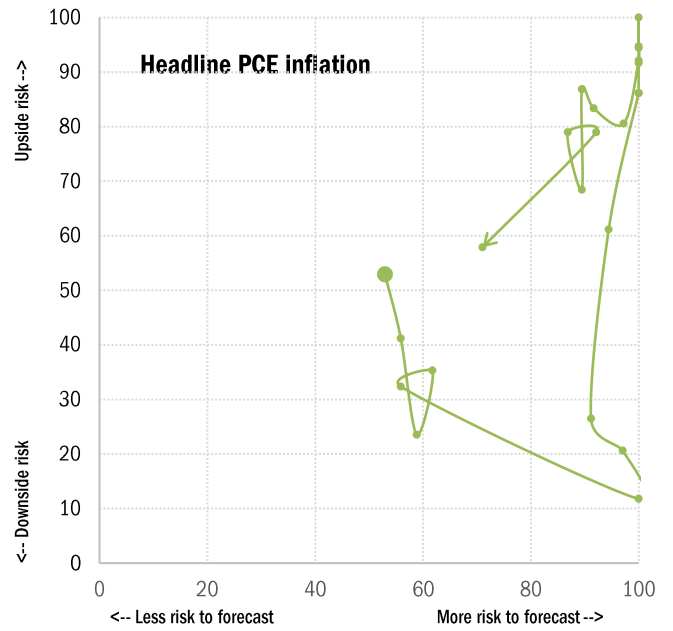
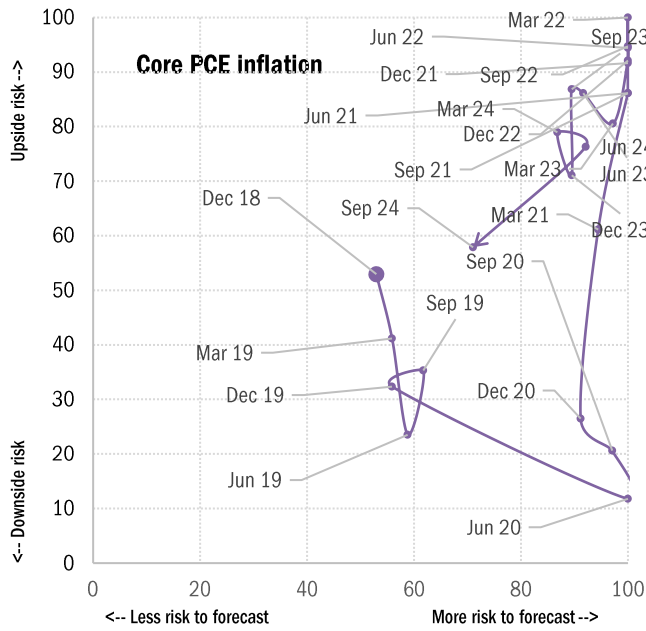
Real GDP



Source: Federal Reserve, BEA, BLS, TrendMacro calculations

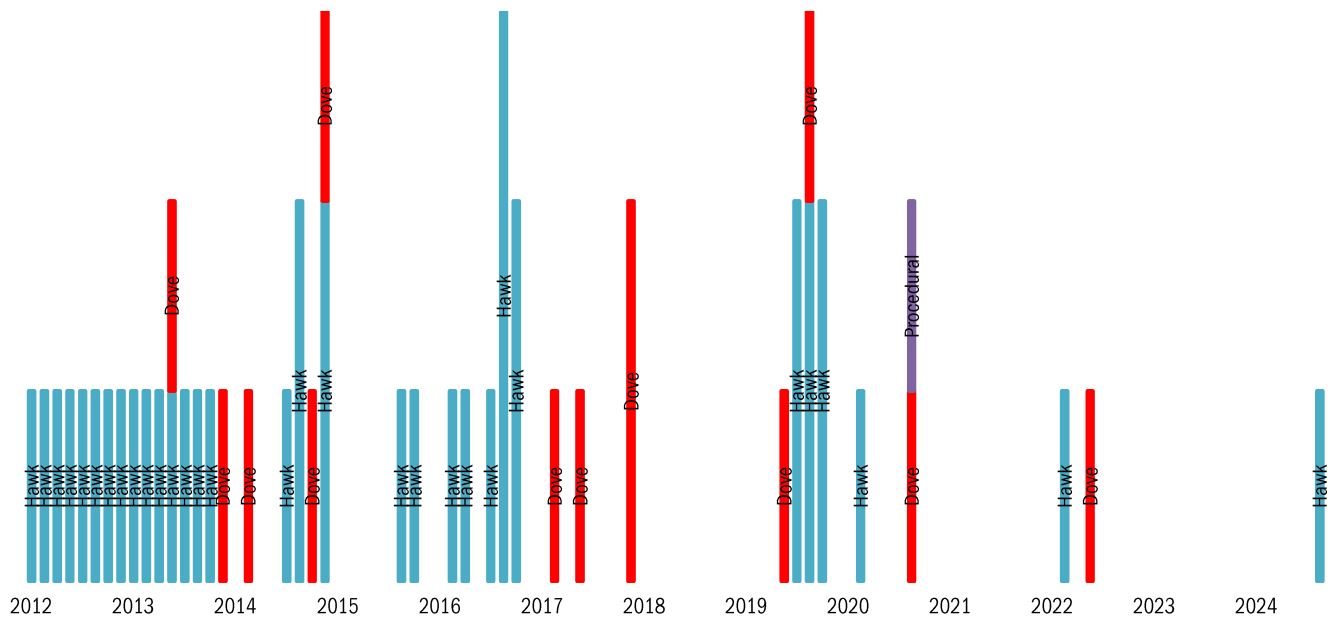
The evolution of uncertainty

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



Source: Federal Reserve Board, TrendMacro calculations

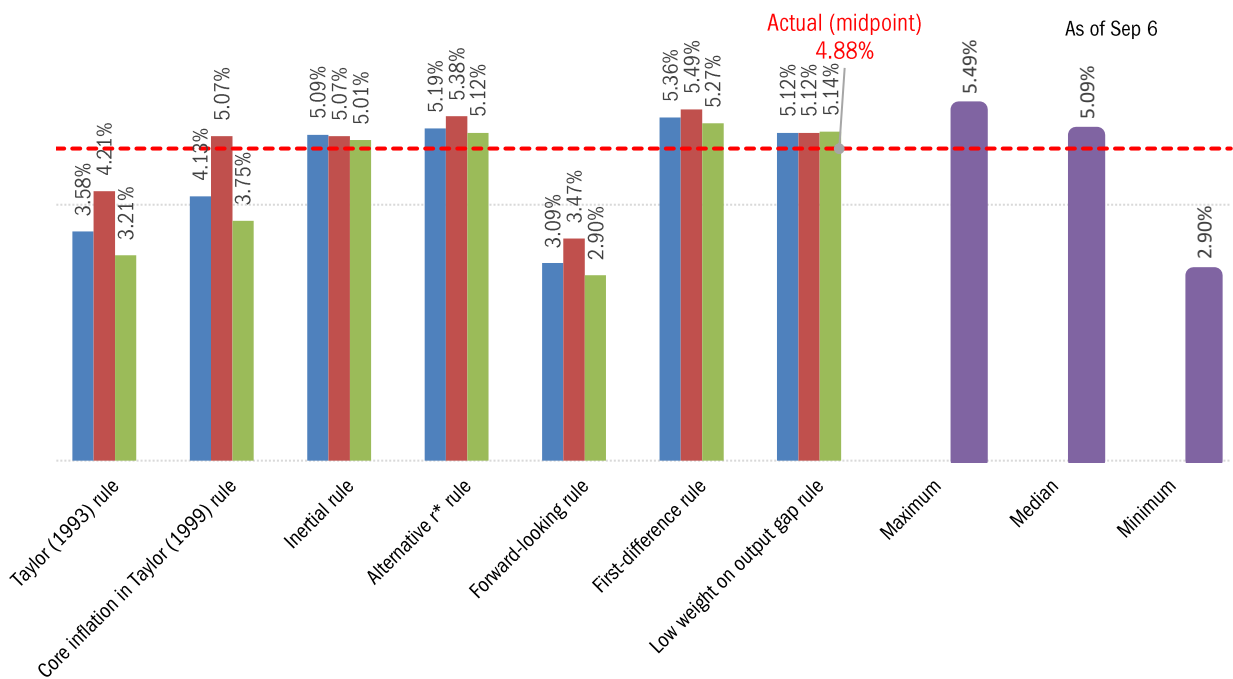
Other voices: number and direction of FOMC decision dissents



Source: FOMC, TrendMacro calculations

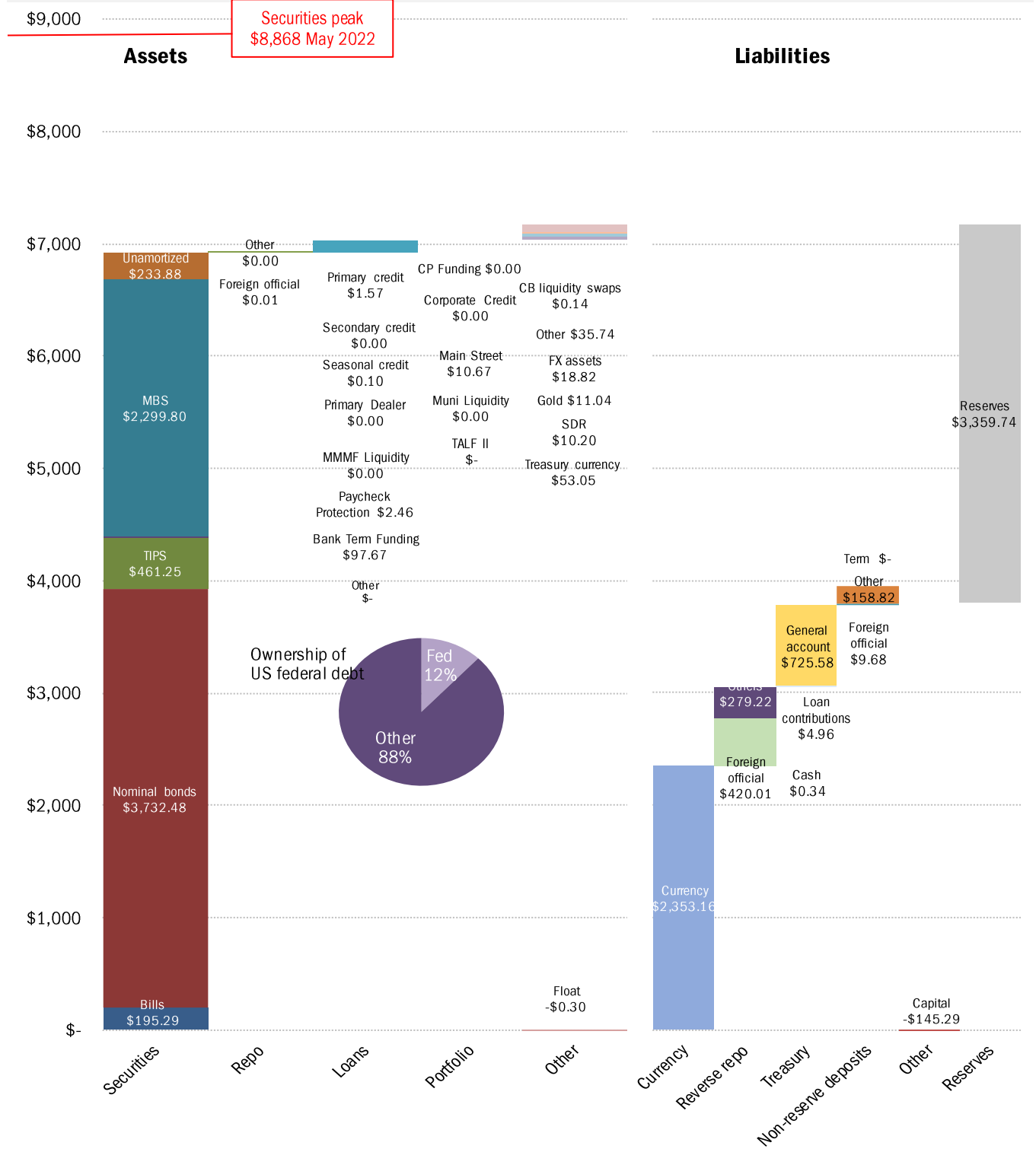
So many policy rules, so little inclination to follow any of them...

As of May 31, 2024 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

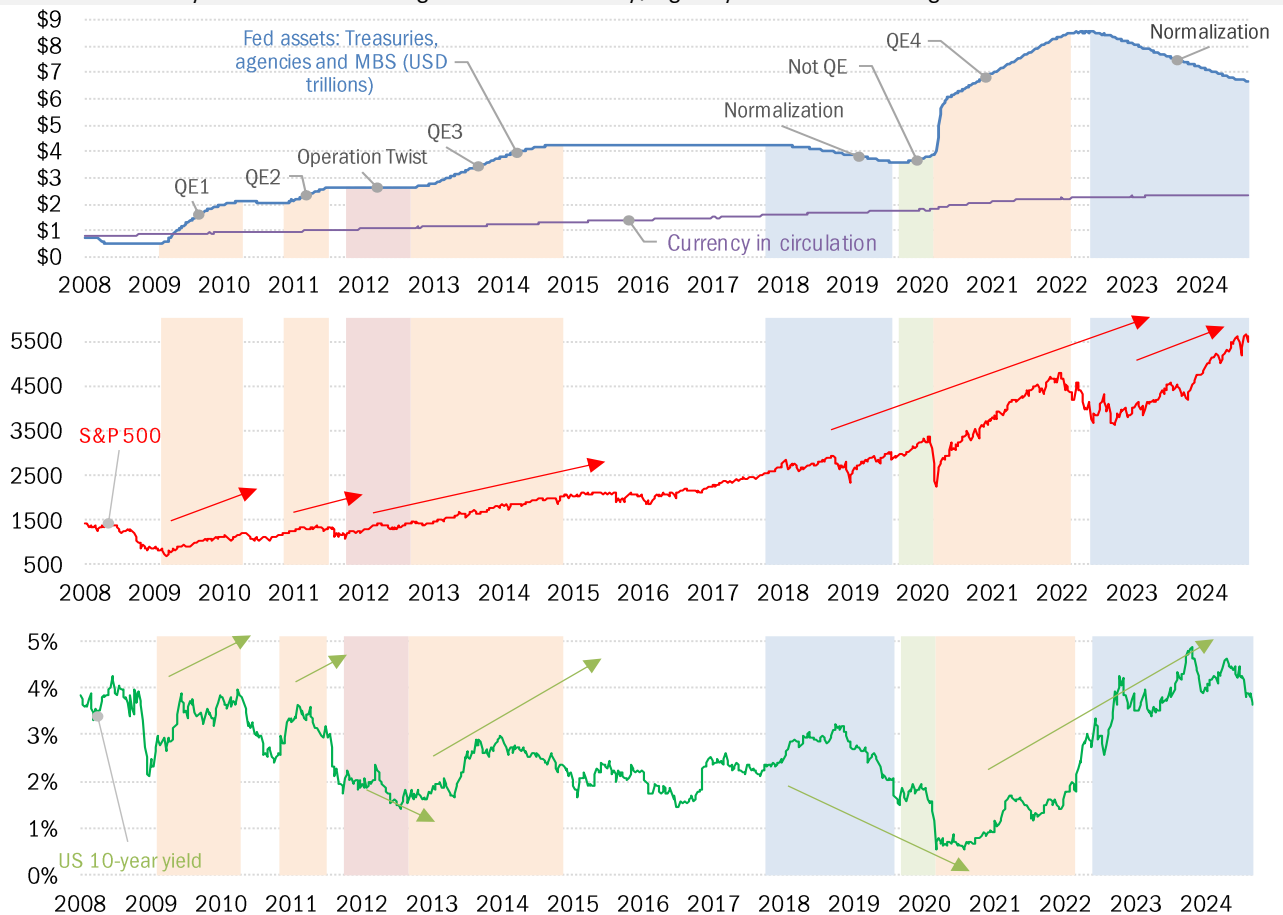
Sector and maturity breakdown of Fed government securities, USD trillions



Source: Federal Reserve, Bloomberg, TrendMacro calculations

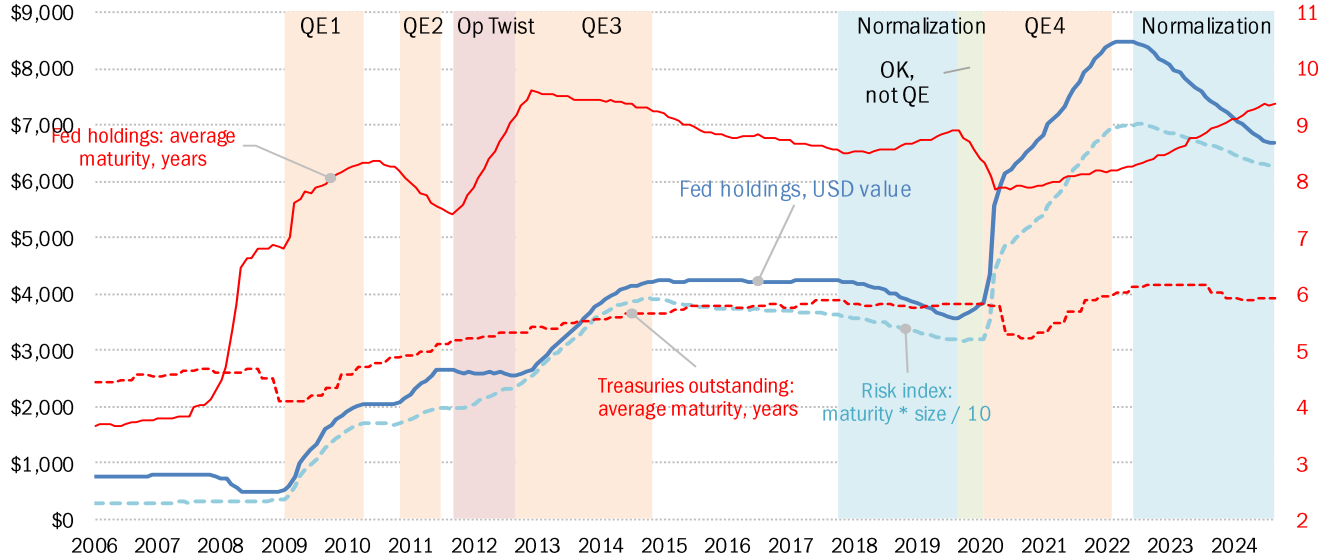
The Fed's asset purchases, and their effects on markets

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



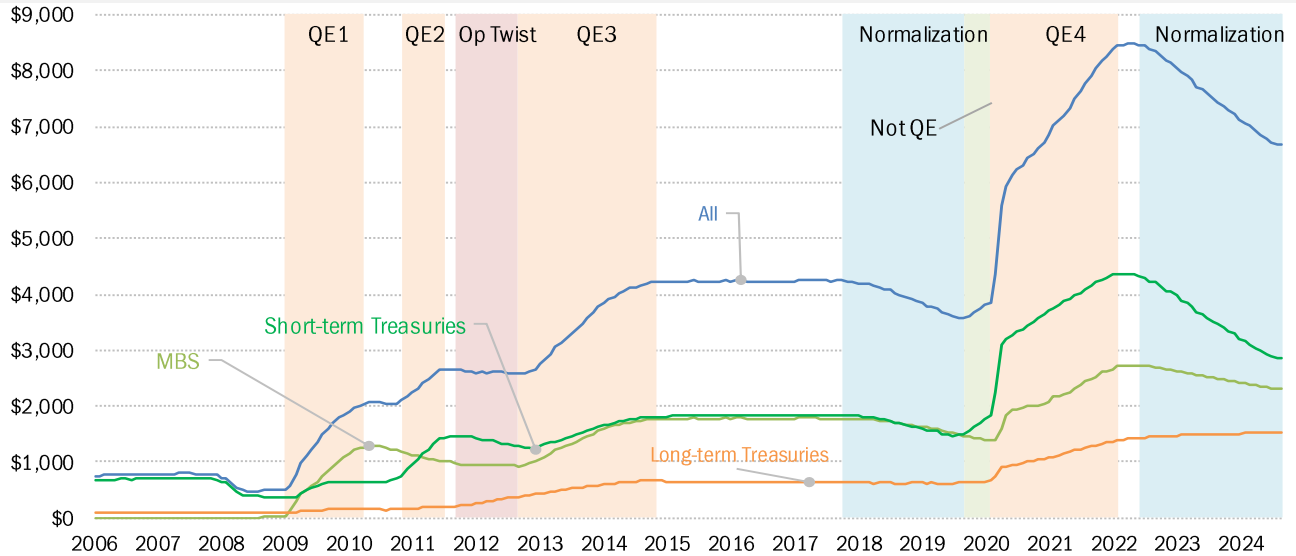
Source: Federal Reserve, Bloomberg, TrendMacro calculations

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



Source: Federal Reserve, Bloomberg, TrendMacro calculations

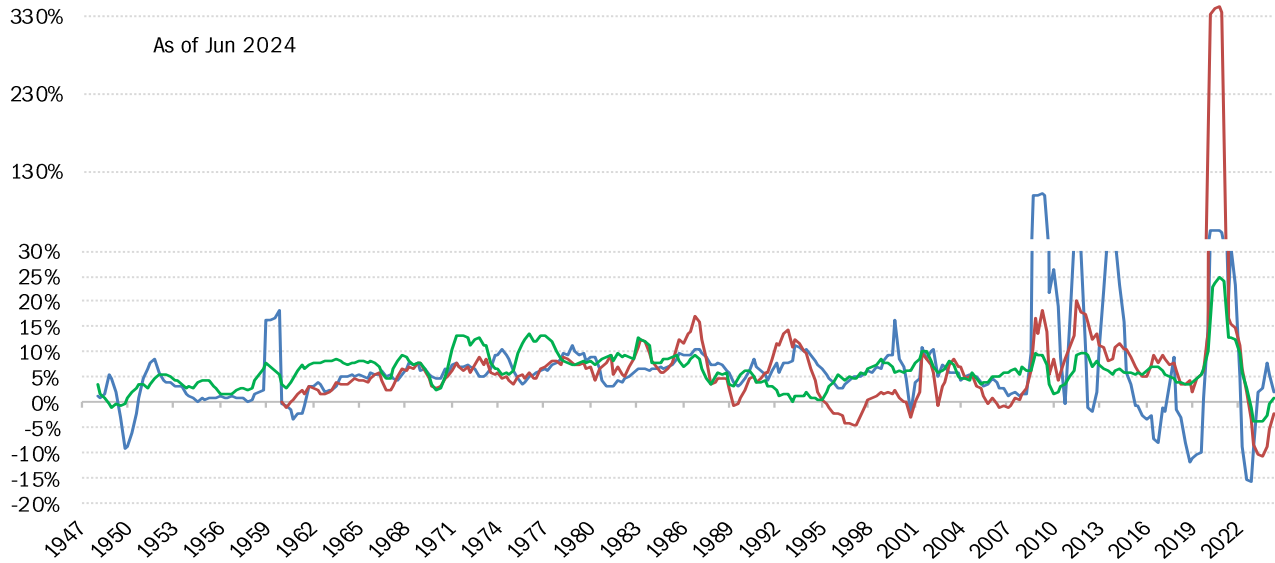
Fed Treasury and MBS portfolio: size by sector and maturity



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](#): $M2 * V = P * NGDP$

