Data Insights: Federal Reserve
Wednesday, March 19, 2025

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

January 29March 19, 2025

Recent indicators suggest that economic activity has continued to expand at a solid pace. The unemployment rate has stabilized at a low level in recent months, and labor market conditions remain solid. Inflation remains somewhat elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee judges thatUncertainty around the risks to achieving its employment and inflation goals are roughly in balance. The economic outlook is uncertain, and thehas increased. The Committee is attentive to the risks to both sides of its dual mandate.
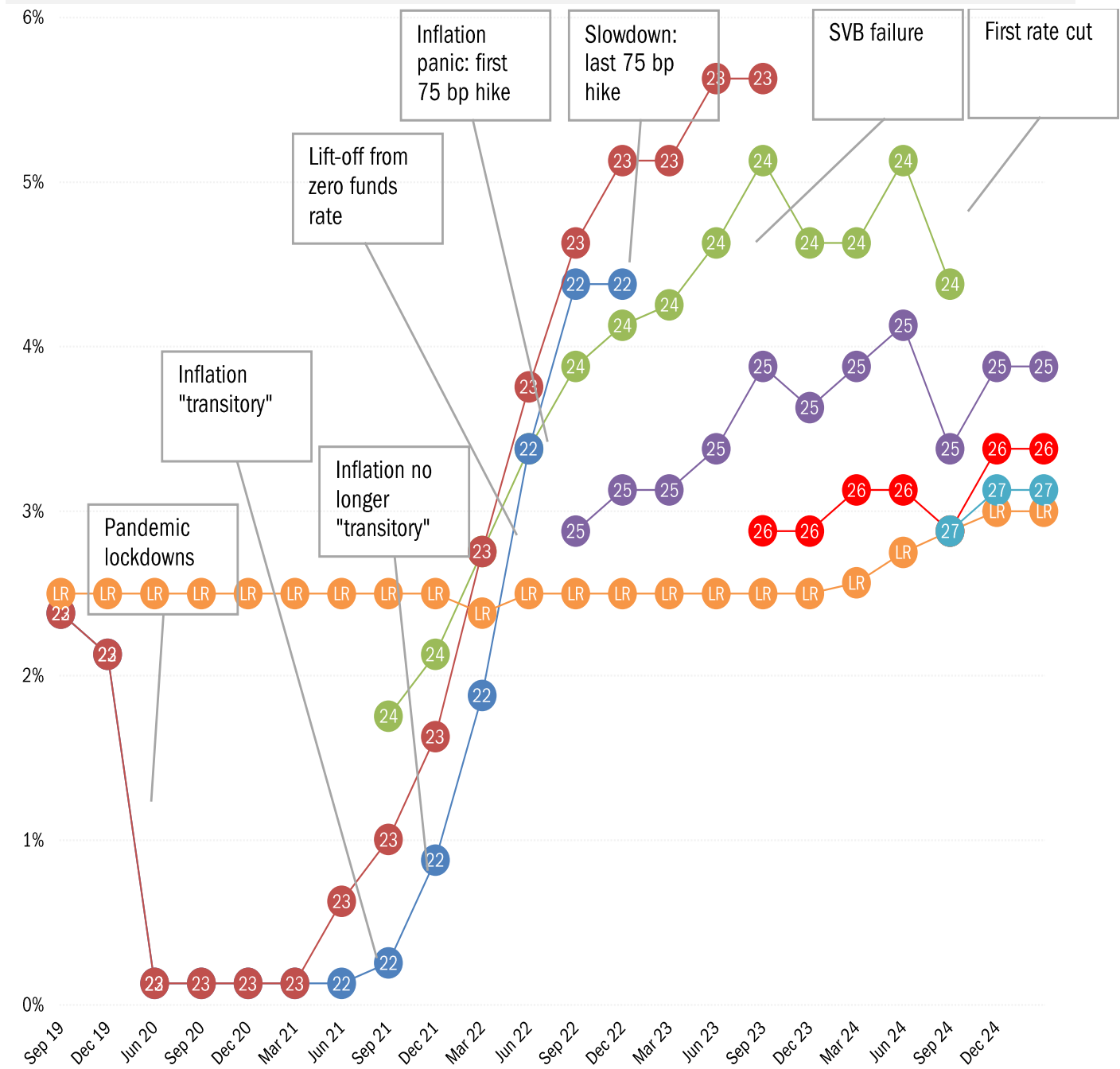
In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. Beginning in April, the Committee will slow the pace of decline of its securities holdings by reducing the monthly redemption cap on Treasury securities from $25 billion to $5 billion. The Committee will maintain the monthly redemption cap on agency debt and agency mortgage-backed securities at $35 billion. 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; Michael S. Barr; Michelle W. Bowman; Susan M. Collins; Lisa D. Cook; Austan D. Goolsbee; Philip N. Jefferson; Adriana D. Kugler; Alberto G. Musalem; and Jeffrey R. Schmid; and . Voting against this action was Christopher J. Waller, who supported no change for the federal funds target range but preferred to continue the current pace of decline in securities holdings.

Source: FRB, TrendMacro analysis

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

Inflation panic: first 75 bp hike

Slowdown: last 75 bp hike

SVB failure

First rate cut

Lift-off from zero funds rate

Inflation "transitory"

Inflation no longer "transitory"

Pandemic lockdowns

Source: Federal Reserve SEP, TrendMacro calculations

Tracking the in high-res
FOMC participants' estimate of "appropriate" target fed funds rate ● Vote by participant   ○ Median
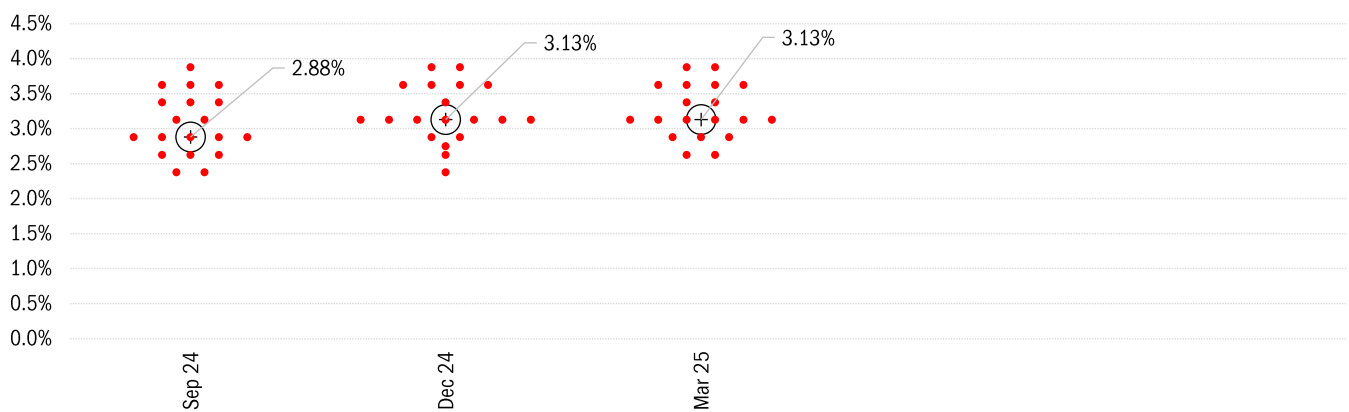
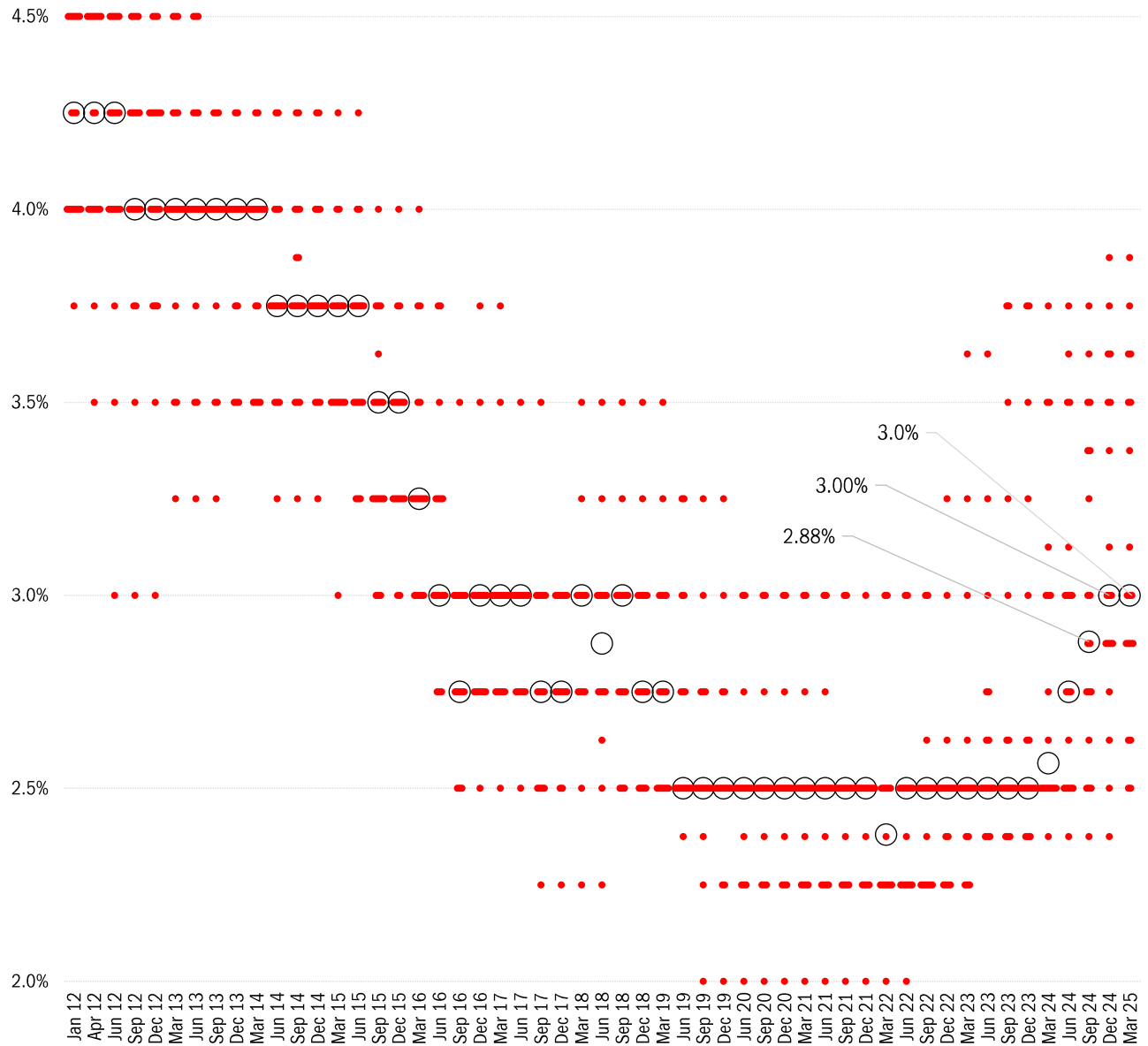## For year-end 2025
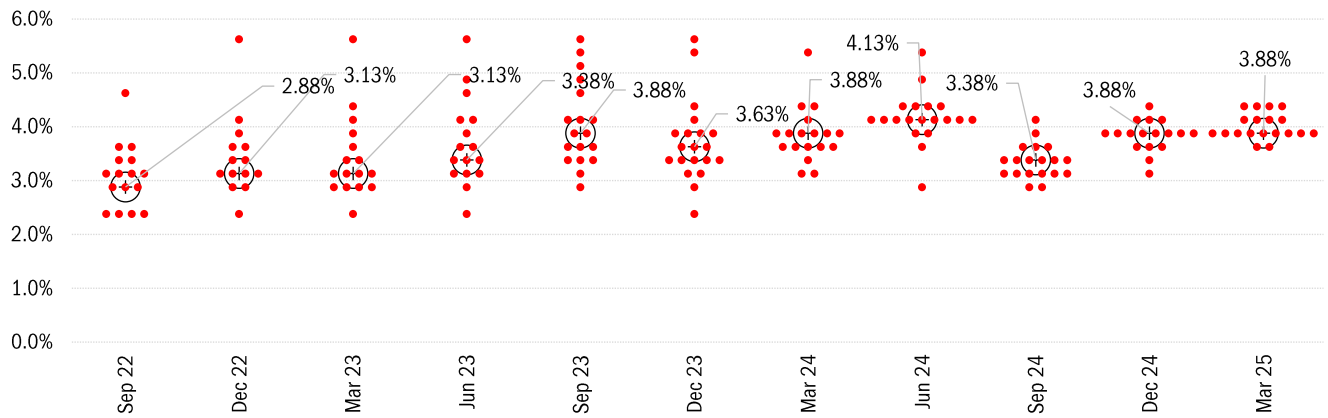
For year-end 2026
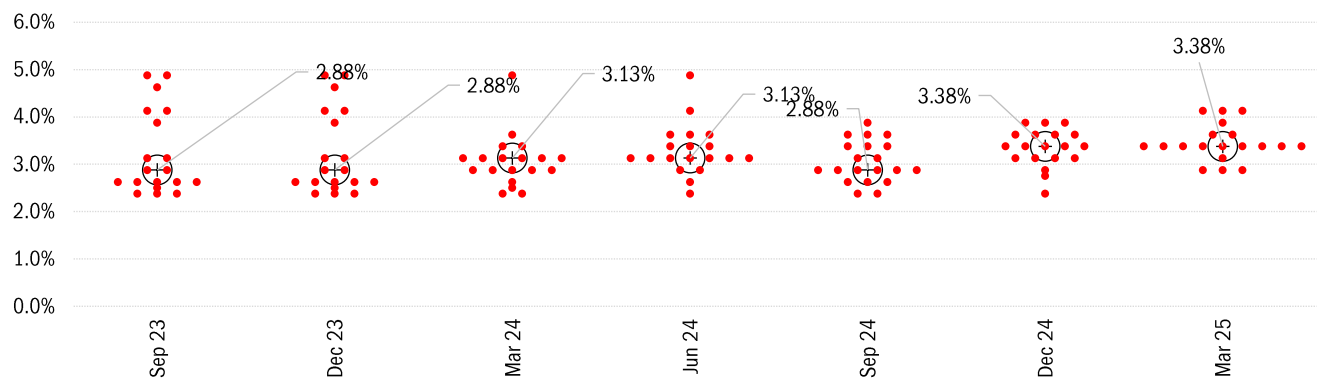
For year-end 2027

"R-star" – the ultimate dot-plot

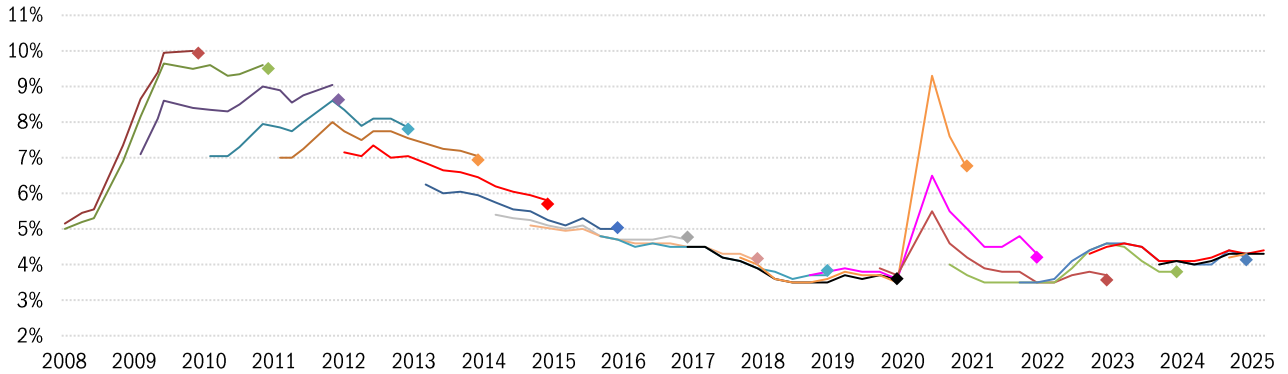FOMC participants' estimate of "longer run" target funds rate   ● Individual participant   ○ Median

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
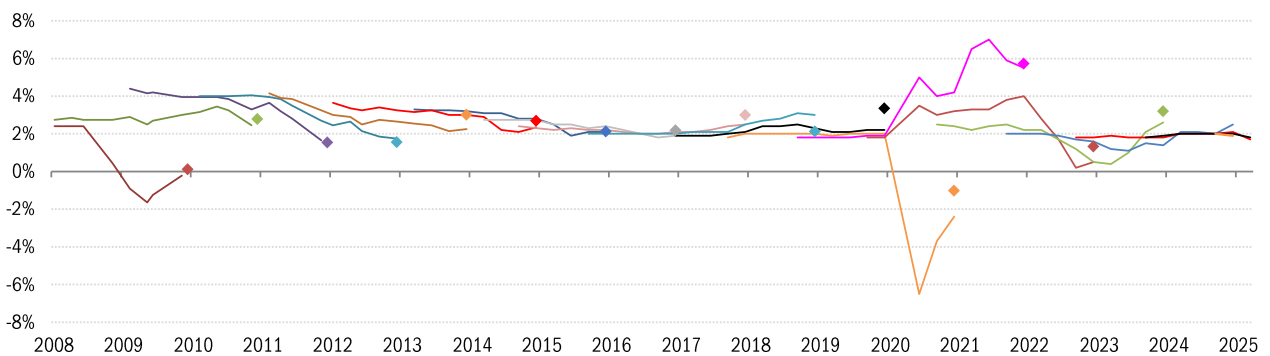
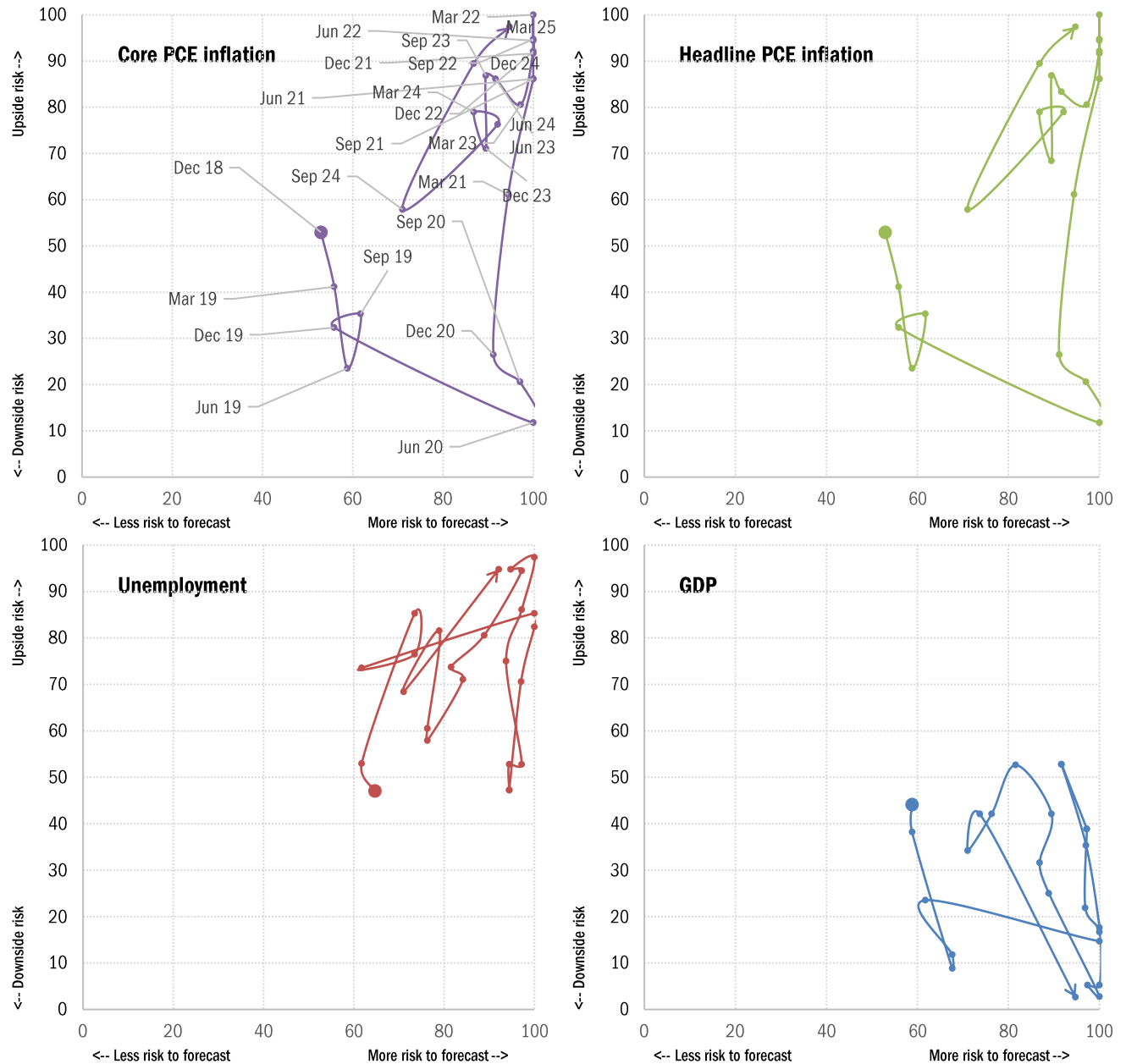## Unemployment

Core PCE inflation
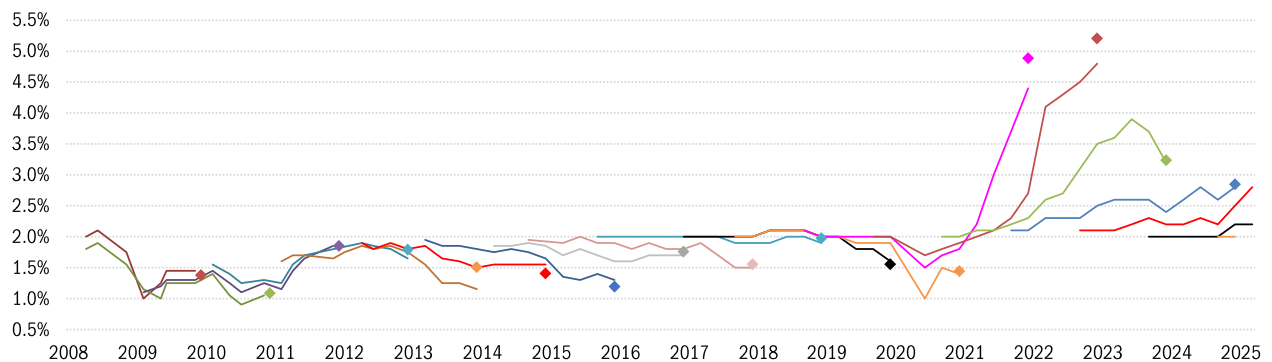
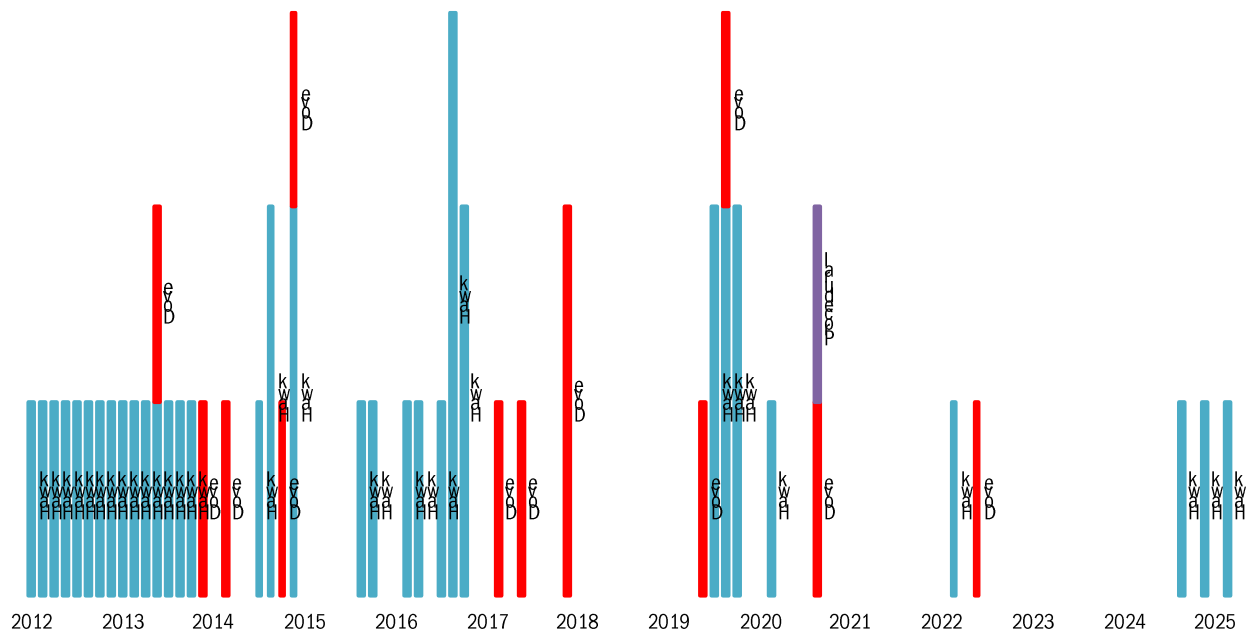## Real GDP

Source: Federal Reserve, BEA, BLS, TrendMacro calculations

The evolution of uncertainty

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

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 5, 2024   Based on inputs from: ■ FOMC SEP ■ CBO ■ Cleveland Fed

Actual (midpoint)
4.38%

As of Mar 7

Rule	FOMC SEP	CBO	Cleveland Fed
Taylor (1993) rule	3.47%	4.09%	3.53%
Core inflation in Taylor (1999) rule	4.06%	5.42%	3.98%
Inertial rule	4.53%	5.42%	4.52%
Alternative r* rule	4.62%	4.89%	4.60%
Forward-looking rule	3.77%	4.12%	3.35%
First-difference rule	5.44%	5.02%	5.04%
Low weight on output gap rule	4.57%	4.54%	4.43%
Maximum	5.44%		
Median	4.53%		
Minimum	3.35%		
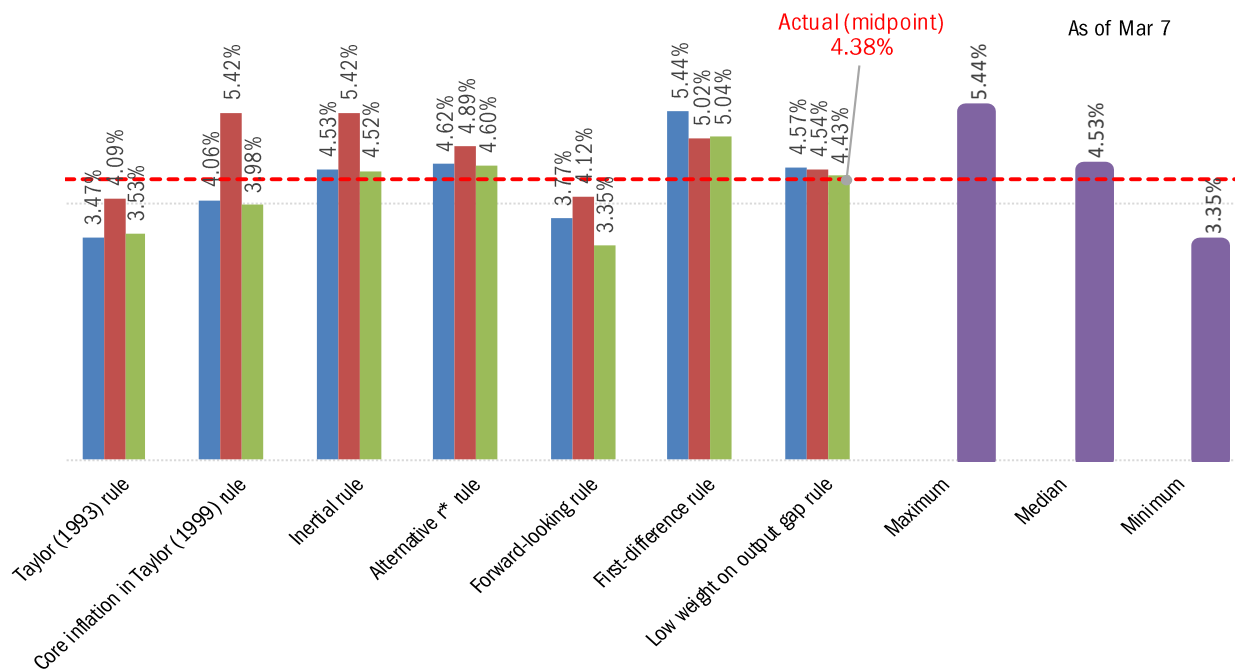
Source: Cleveland Fed, TrendMacro calculations

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

Securities peak $8,868 May 2022

Assets

Liabilities

$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$-

Assets	Value
Unamortized	$220.29
MBS	$2,203.31
TIPS	$428.77
Nominal bonds	$3,618.09
Bills	$195.34

Other $0.00
Foreign official $0.00
Primary credit $2.42
CP Funding $0.00
Secondary credit $0.00
Corporate Credit $0.00
CB liquidity swaps $0.14
Seasonal credit $0.01
Main Street $7.35
Other $33.23
Primary Dealer $0.00
Muni Liquidity $0.00
FX assets $18.53
MMMF Liquidity $0.00
TALF II $-
Gold $11.04
Paycheck Protection $1.87
SDR $15.20
Bank Term Funding $0.00
Treasury currency $53.24

Float -$0.40

Ownership of US federal debt

Other $-
Fed 11%
Other 89%

Currency $2,366.43
Reverse repo $131.06
Foreign official $391.10
Cash $0.41
Loan contributions $3.46
General account $450.71
Foreign official $9.43
Term $-
Other $170.87
Capital -$172.36
Reserves $3,459.69

Securities
Repo
Loans
Portfolio
Other

Currency
Reverse repo
Treasury
Non-reserve deposits
Other
Reserves

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

Sector and maturity breakdown of Fed government securities, USD trillions

Treasuries 0-15 days	$0.01
Treasuries 16-90 days	$0.26
Treasuries 91 days to 1 year	$0.43
Treasuries 1-5 years	$1.46
Treasuries 5-10 years	$0.53
Treasuries 10 years plus	$1.55
Agencies	$0.00
MBS 1-5 years	$0.00
MBS 5-10 years	$0.03
MBS 10 years plus	$2.16
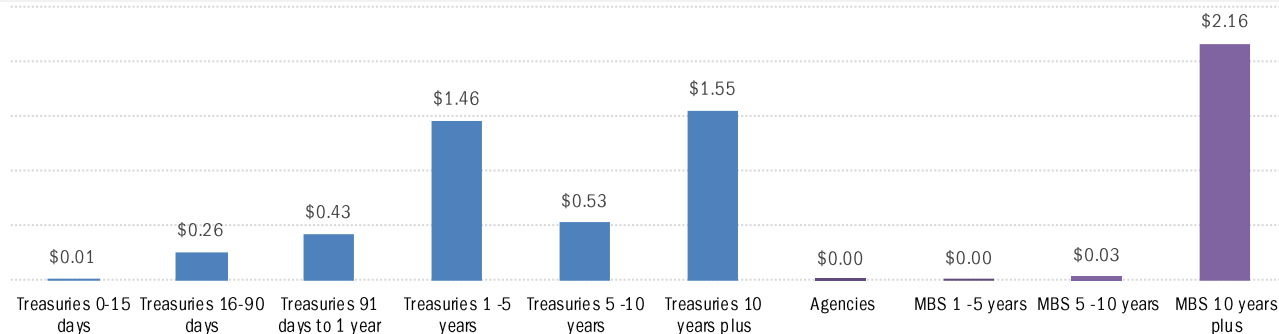
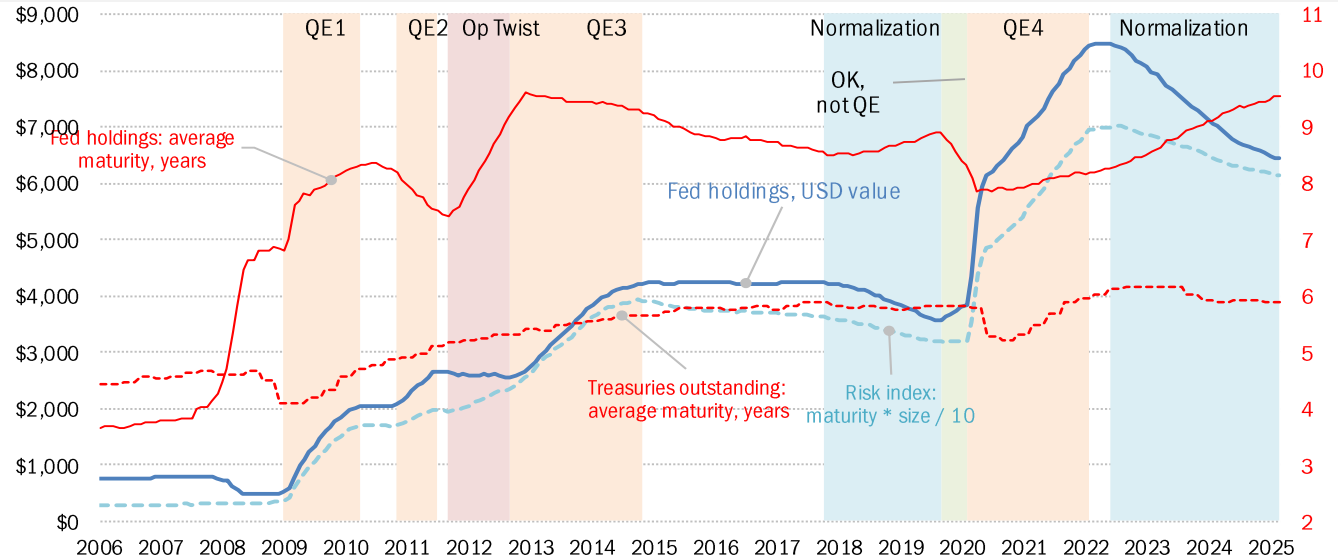Source: Federal Reserve, Bloomberg, TrendMacro calculations

The Fed's asset purchases, and their effects on markets
Stocks and bond yields react to changes in Fed Treasury, agency and MBS holdings
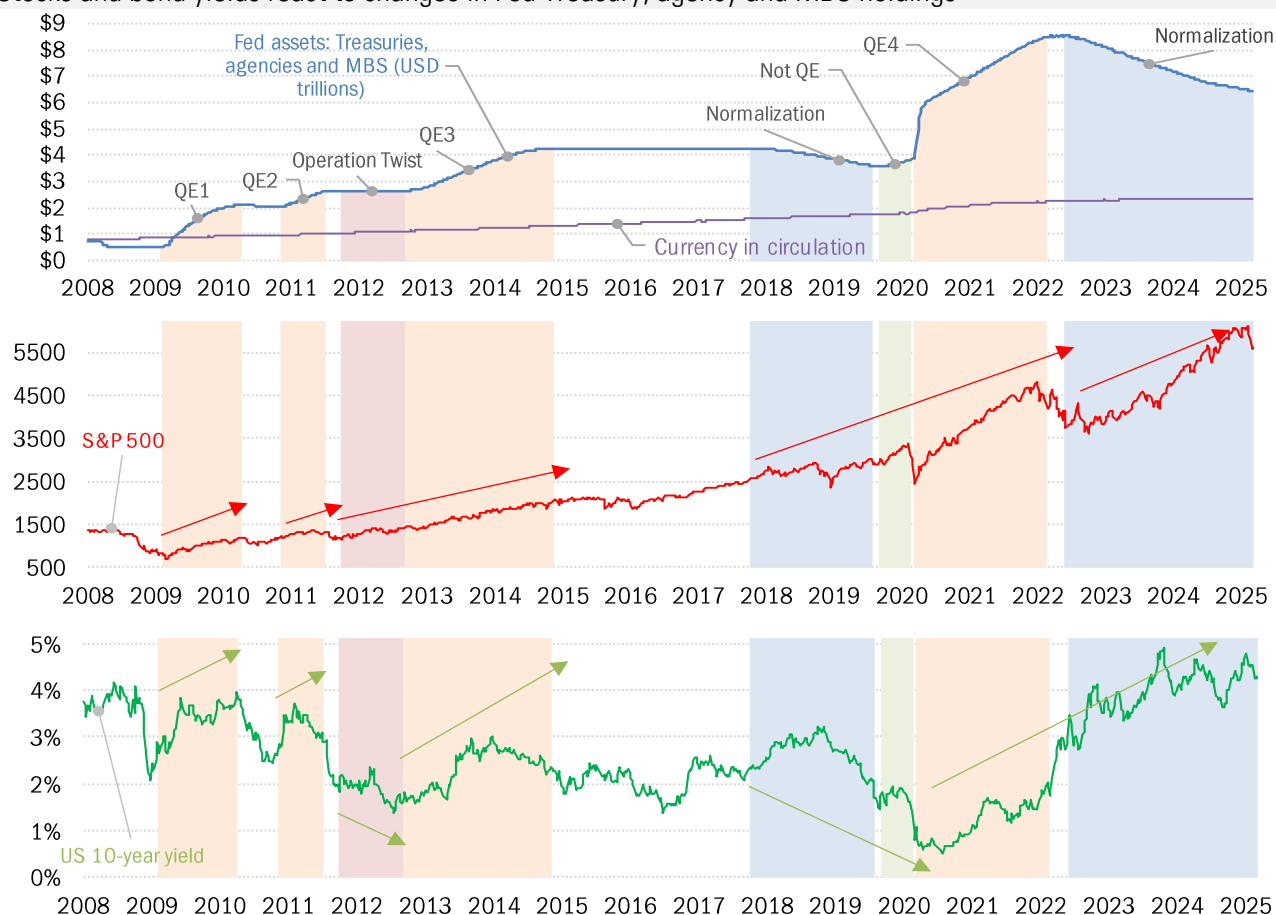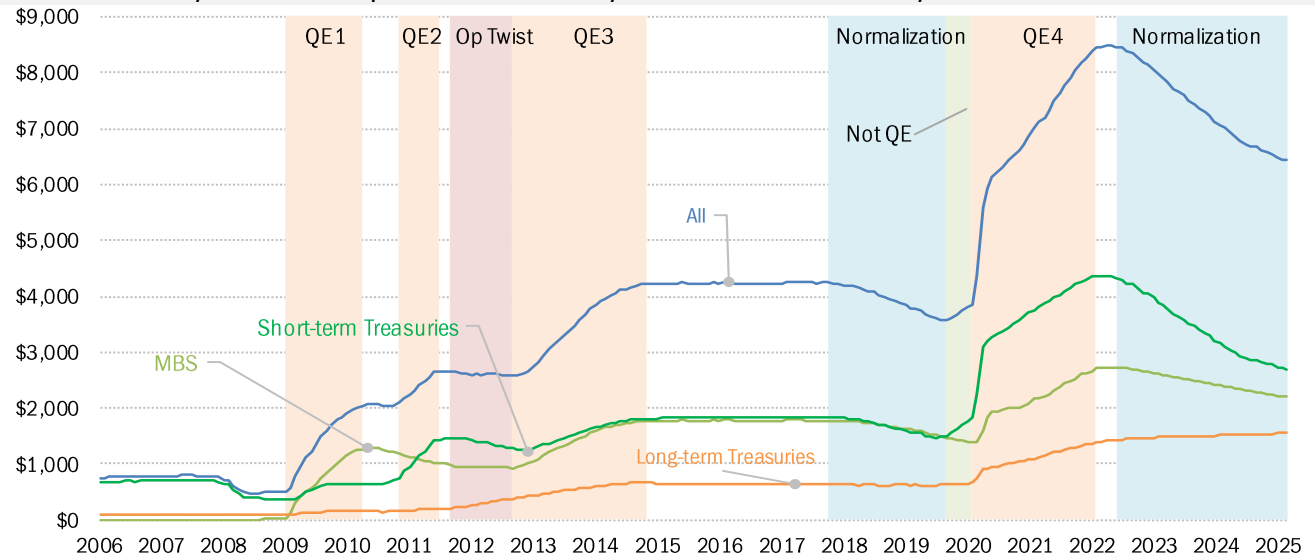

Source: Federal Reserve, Bloomberg, TrendMacro calculations

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

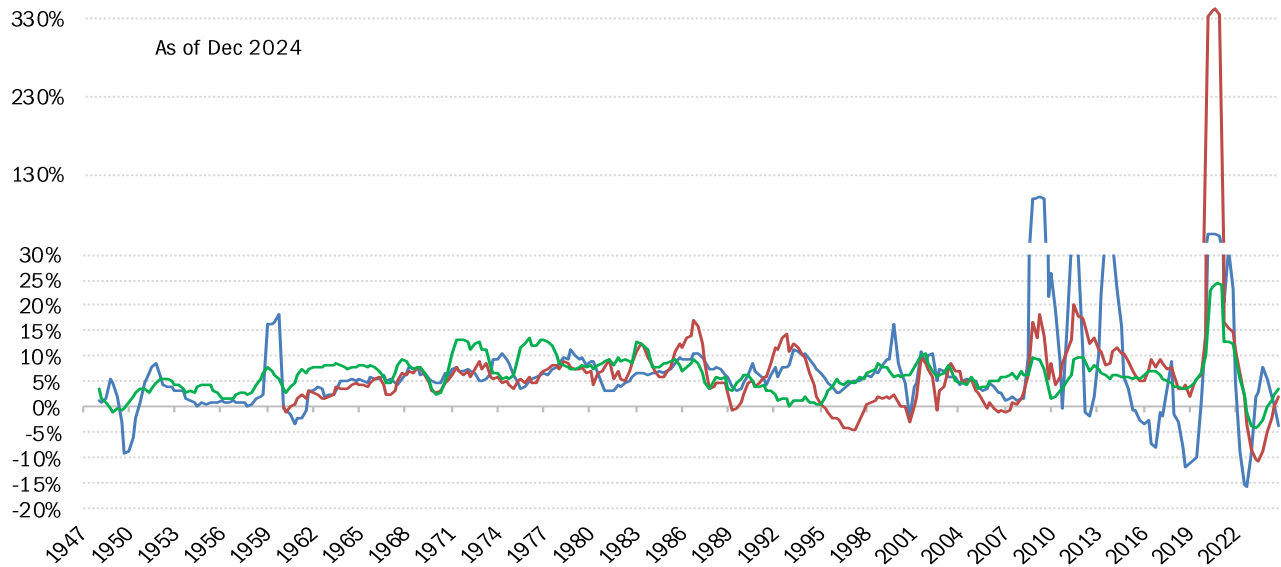Source: Federal Reserve, Bloomberg, TrendMacro calculations

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

As of Dec 2024

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

Monetary velocity, quarterly
Derived from the Equation of Exchange: M2 * V = P * NGDP

As of Dec 2024