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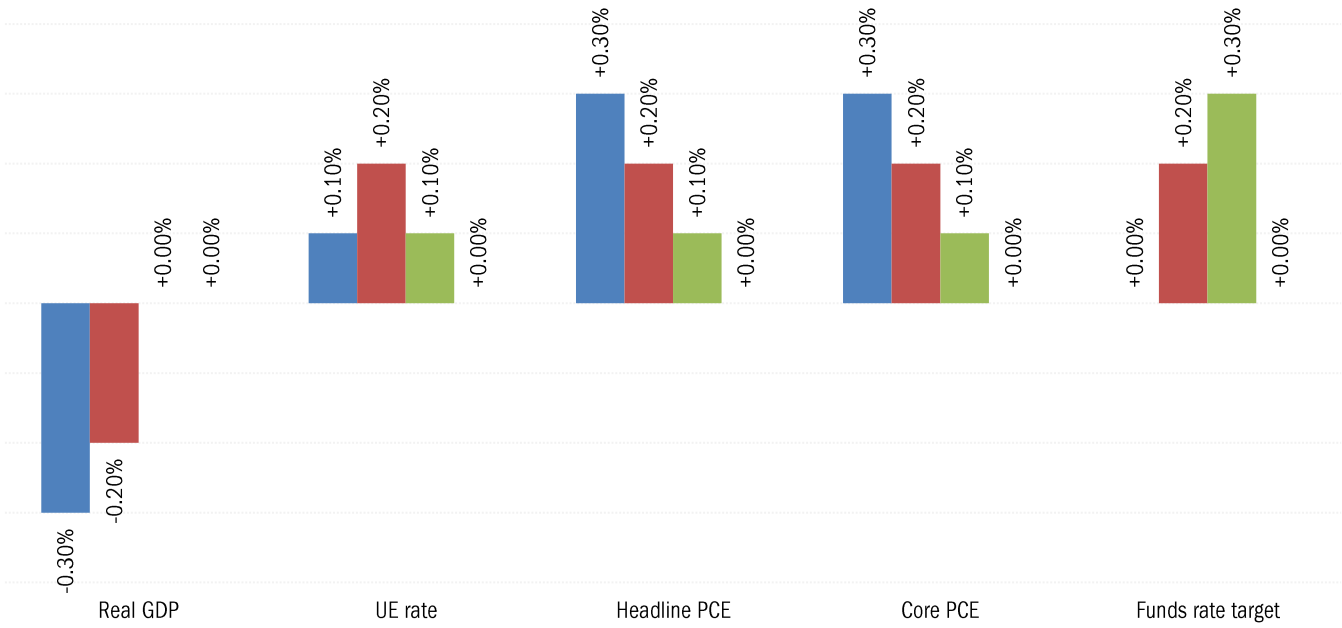
Data Insights: Federal Reserve

Wednesday, June 18, 2025

Summary of Economic Projections at-a-glance (median, level)

Change from prior SEP with respect to: 2025 2026 2027 Longer run



Source: FOMC, TrendMacro calculations

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

~~May 07~~June 18, 2025

Although swings in net exports have affected the data, 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~~remains low, and labor market conditions remain solid. Inflation remains somewhat elevated.

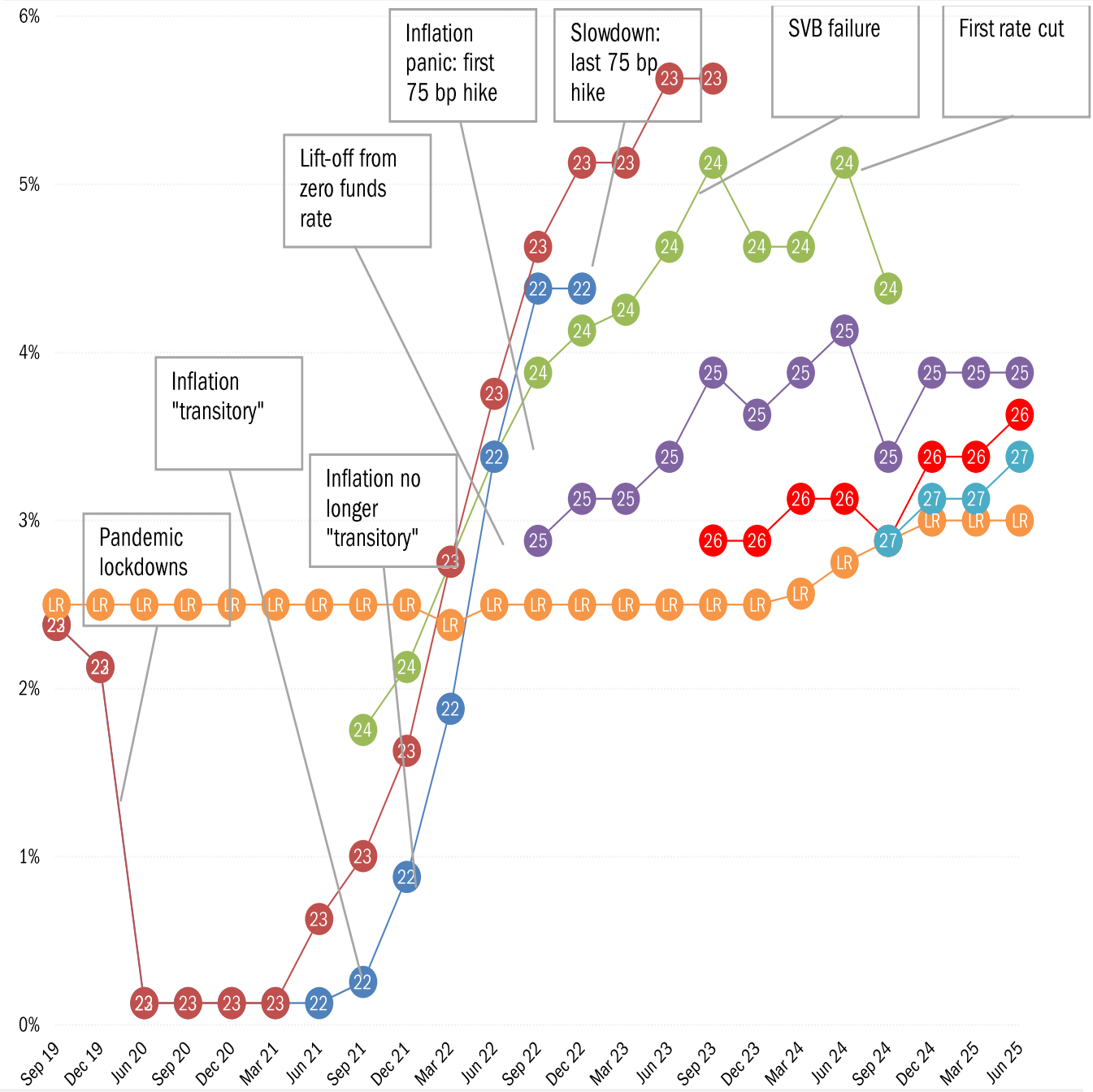
The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook has ~~increased further.~~diminished but remains elevated. The Committee is attentive to the risks to both sides of its dual mandate~~ and judges that the risks of higher unemployment and higher inflation have risen~~.

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. 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; ~~Neel Kashkari;~~ Adriana D. Kugler; Alberto G. Musalem; Jeffrey R. Schmid; and Christopher J. Waller~~. Neel Kashkari voted as an alternate member at this meeting~~.

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

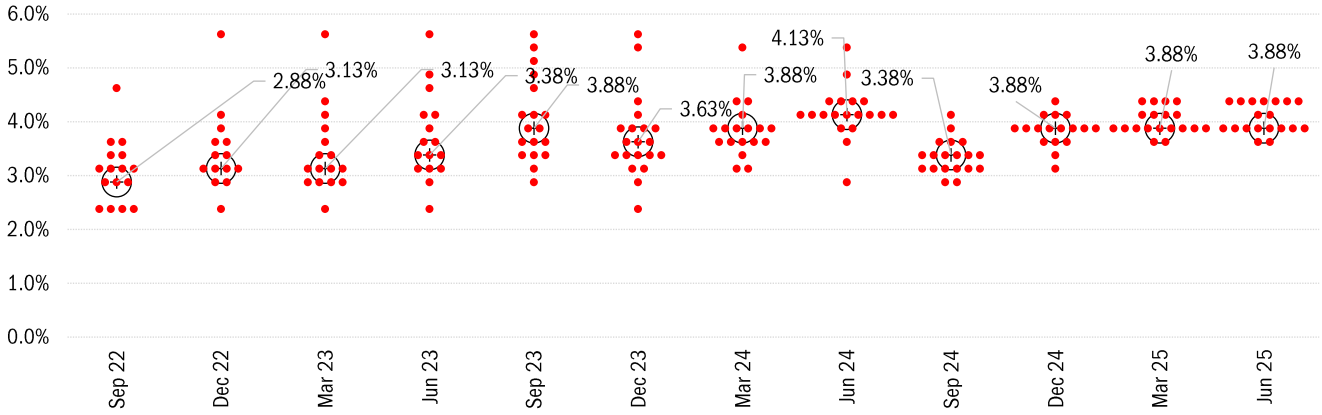


Source: Federal Reserve SEP, TrendMacro calculations

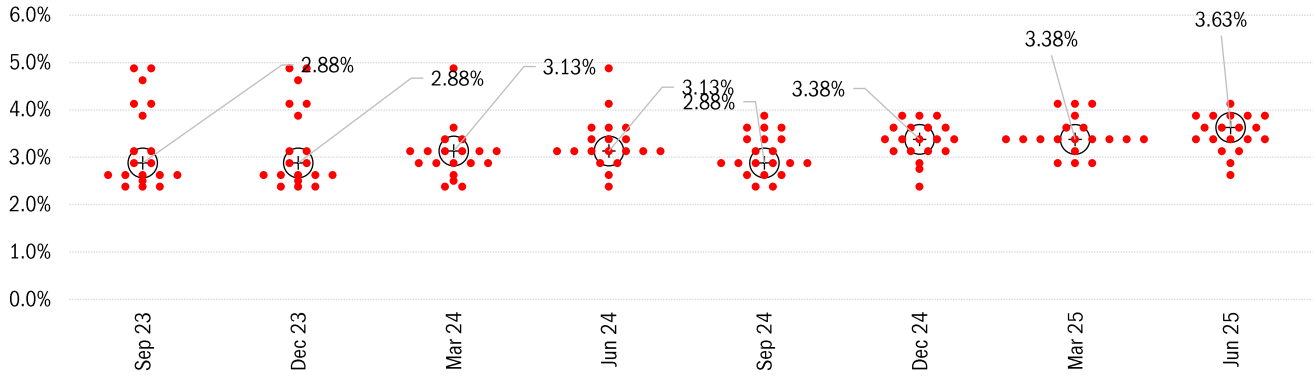
Tracking the "dotplots" in high-res

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

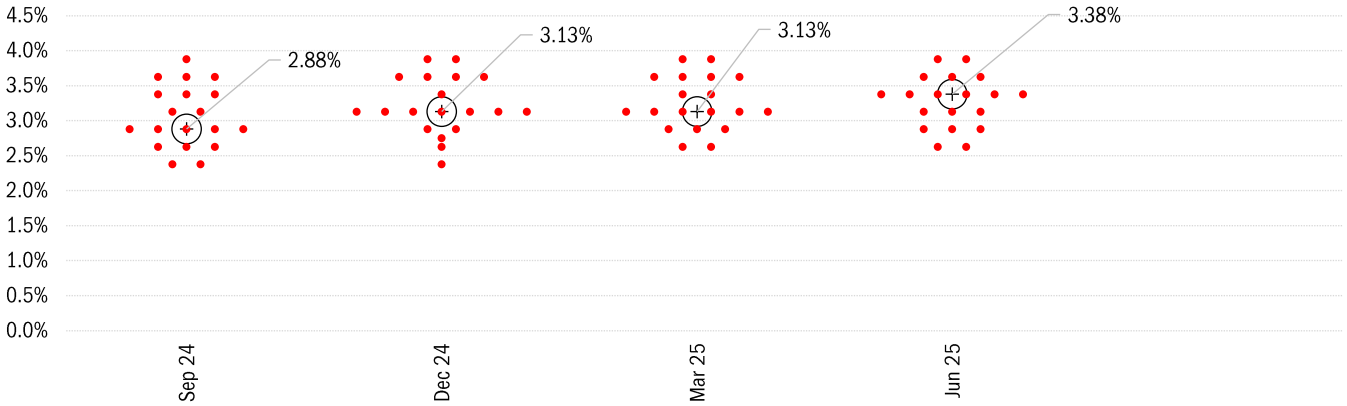
For year-end 2025



For year-end 2026

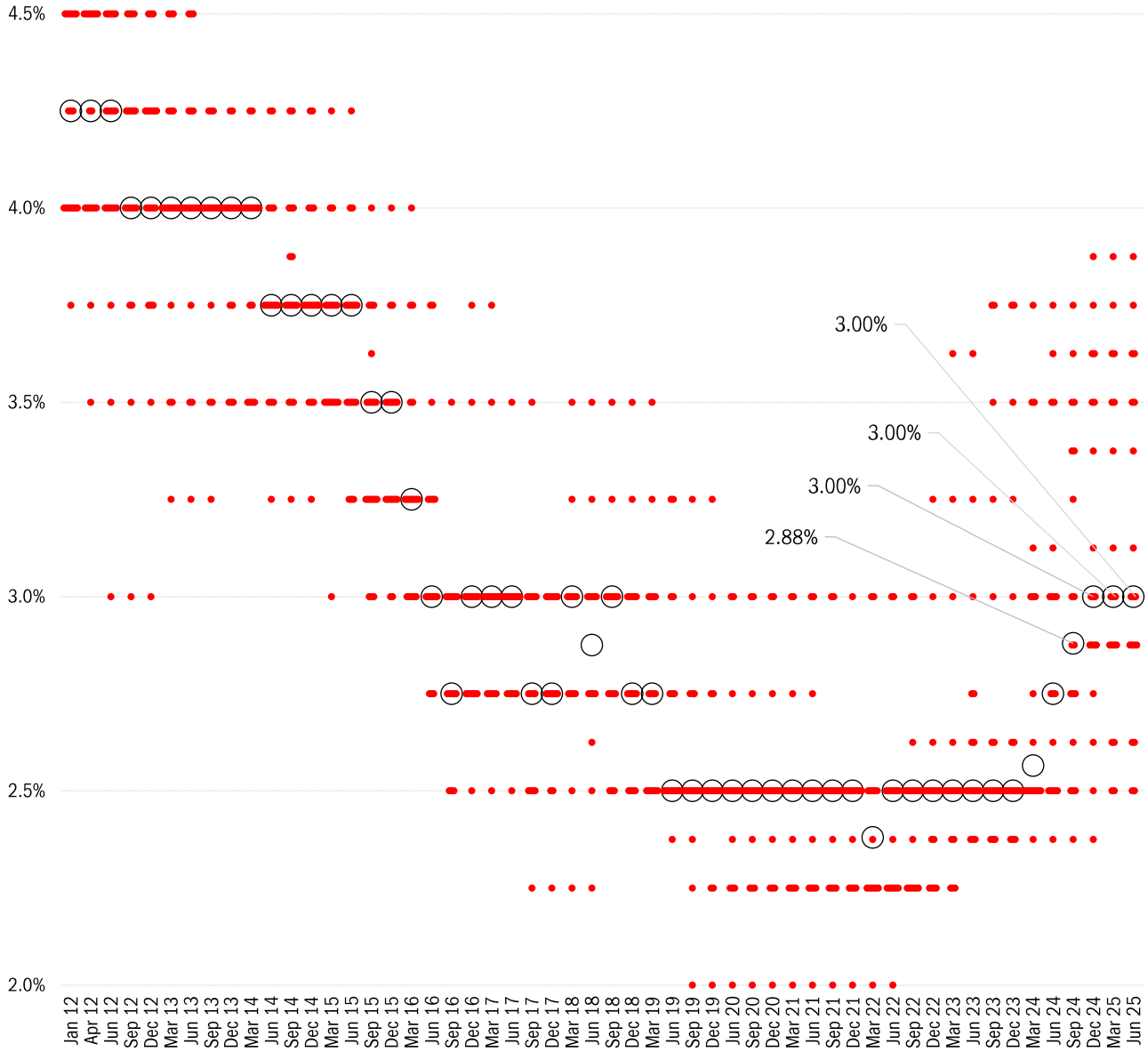


For year-end 2027



"R-star" – the ultimate dot-plot

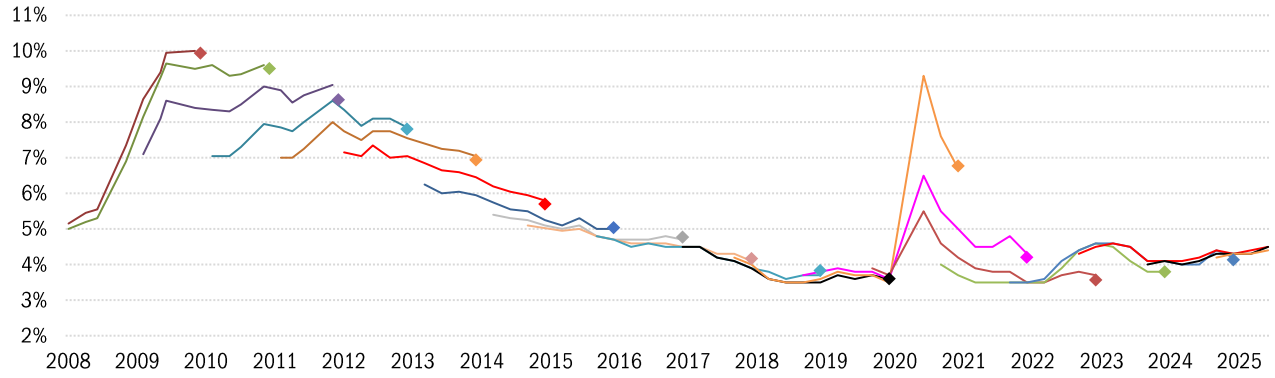
FOMC participants' estimate of "longer run" target funds rate ● Individual participant ○ Median



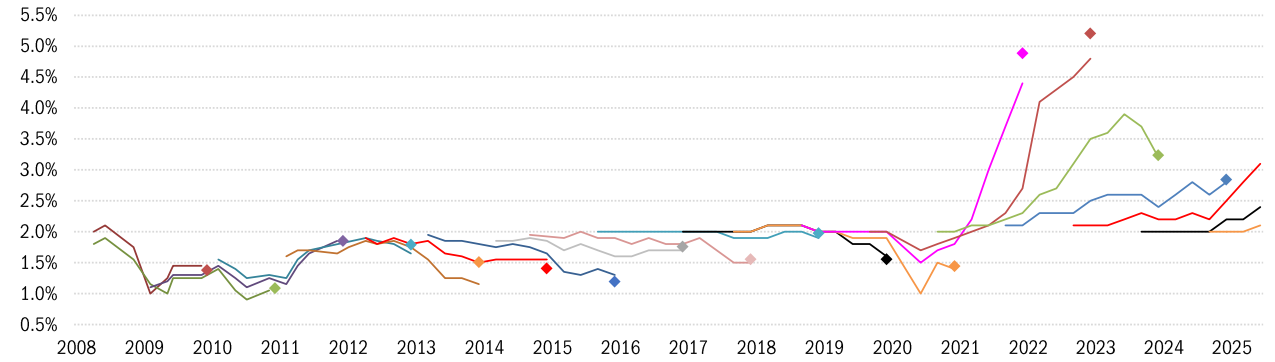
Source: Federal Reserve, TrendMacro calculations

Forecast v actual: economic projections FRB and presidents

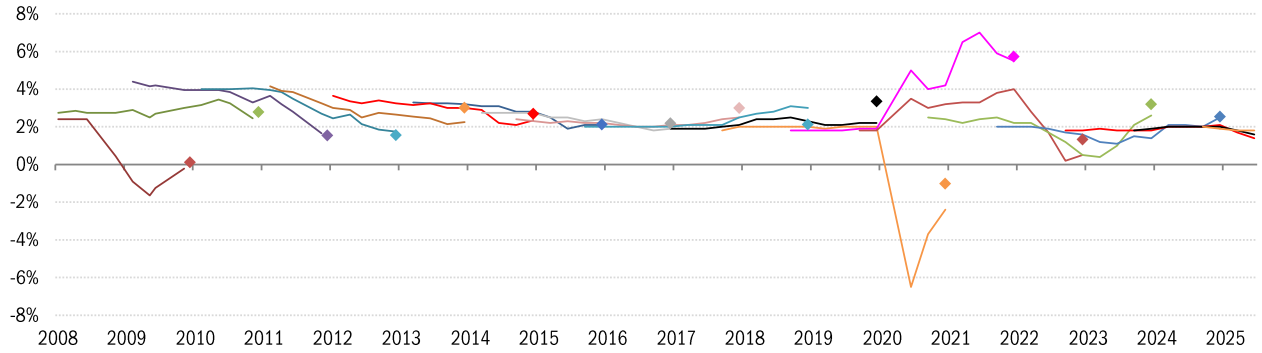
Unemployment



Core PCE inflation



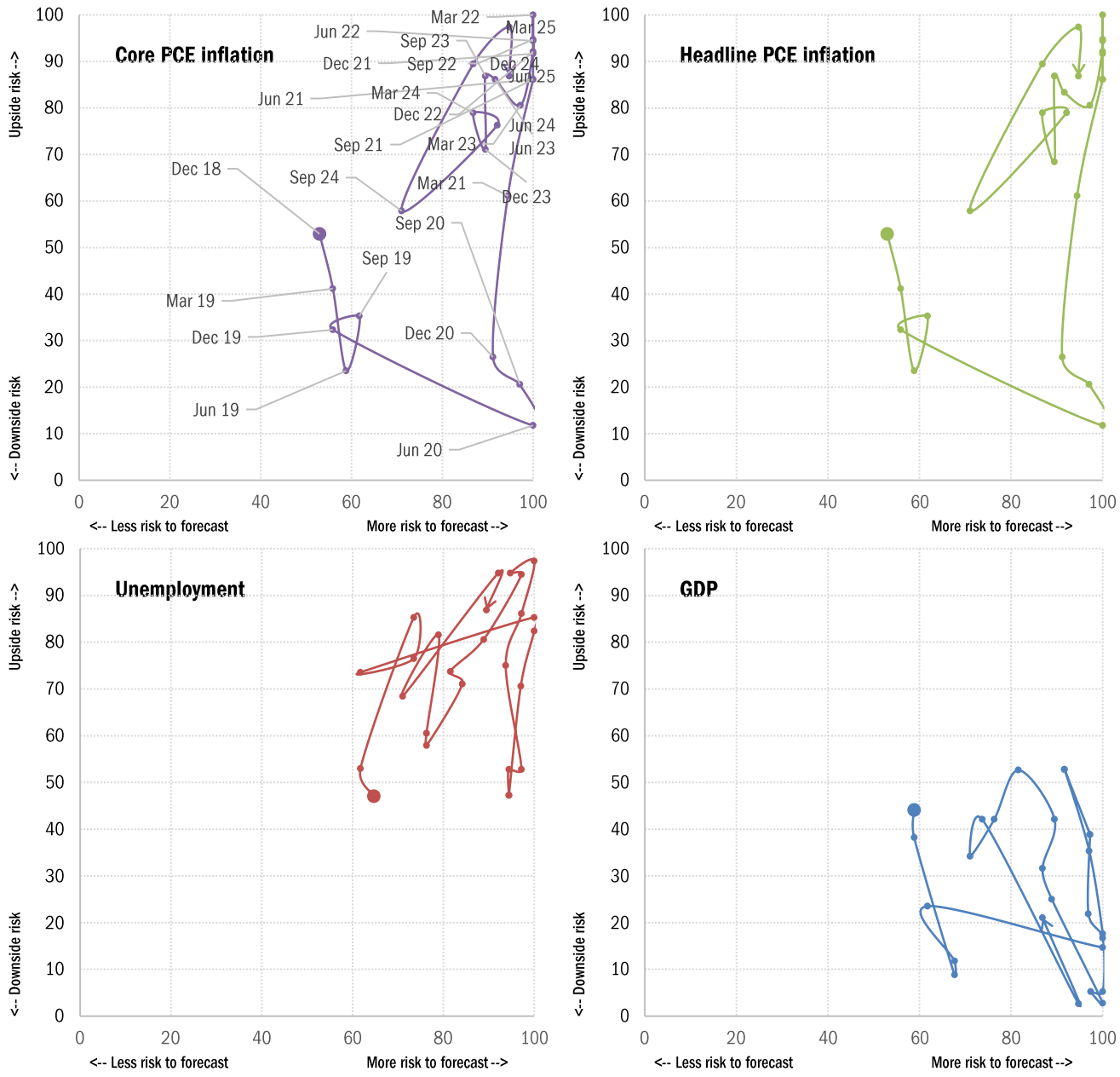
Real GDP



Source: Federal Reserve, BEA, BLS, TrendMacro calculations

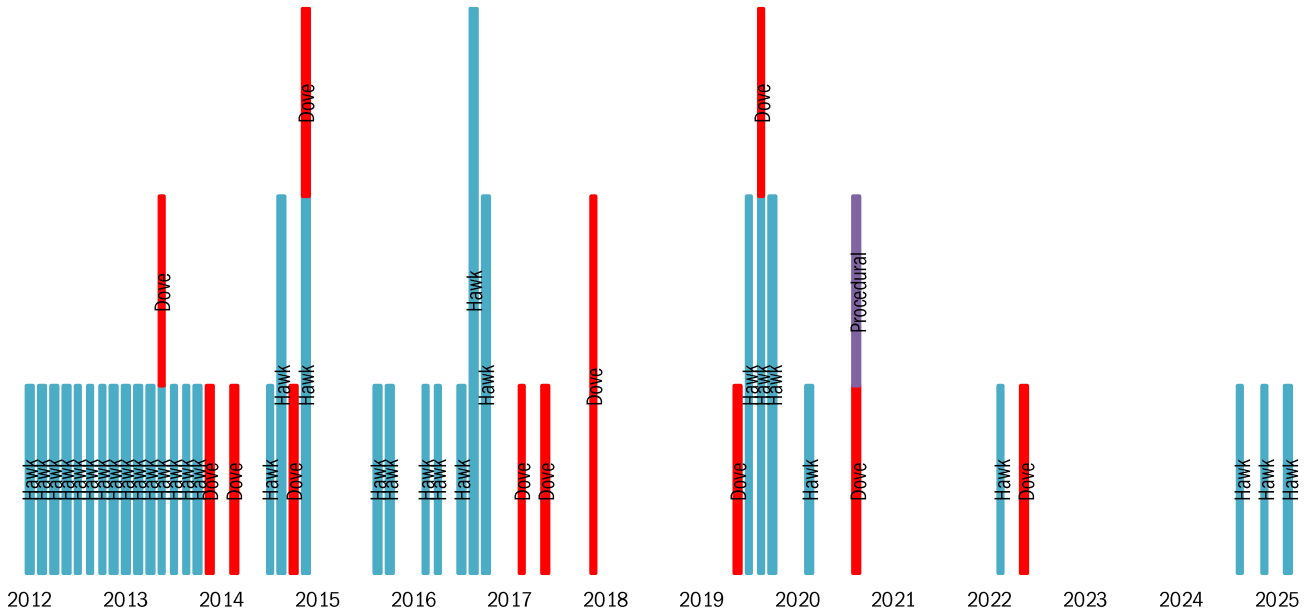
The evolution of uncertainty

Diffusion indices from FOMC participants' risk self-assessments in Summary of Economic Projections



Source: Federal Reserve Board, TrendMacro calculations

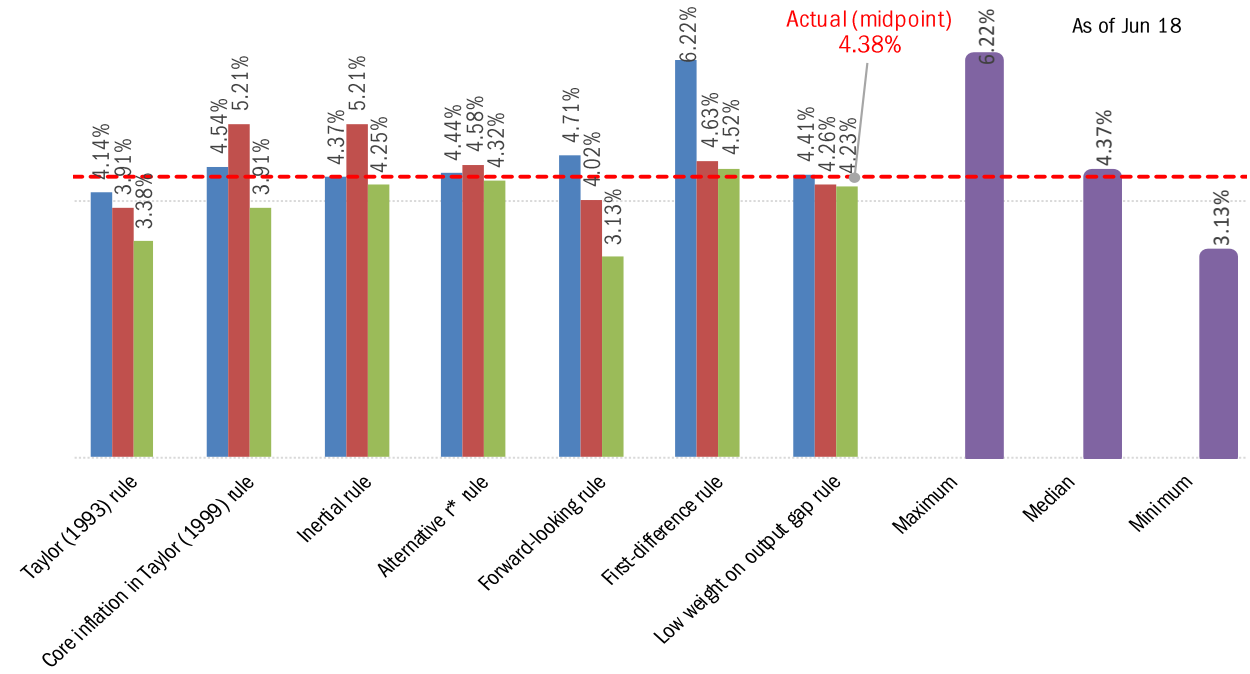
Other voices: number and direction of FOMC decision dissents



Source: FOMC, TrendMacro calculations

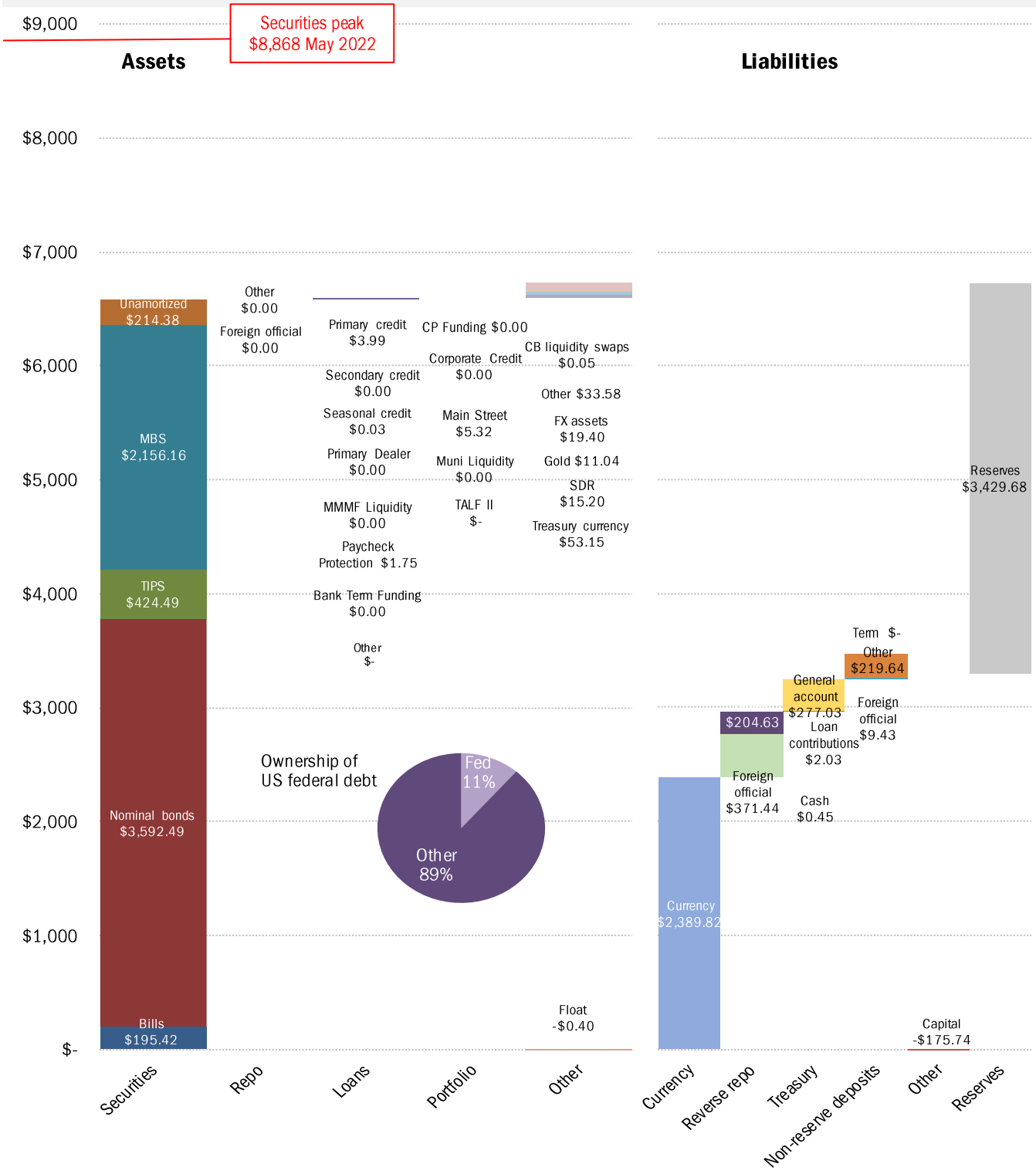
So many policy rules, so little inclination to follow any of them…

Updated June 5, 2025 Based on inputs from: FOMC SEP CBO Cleveland Fed



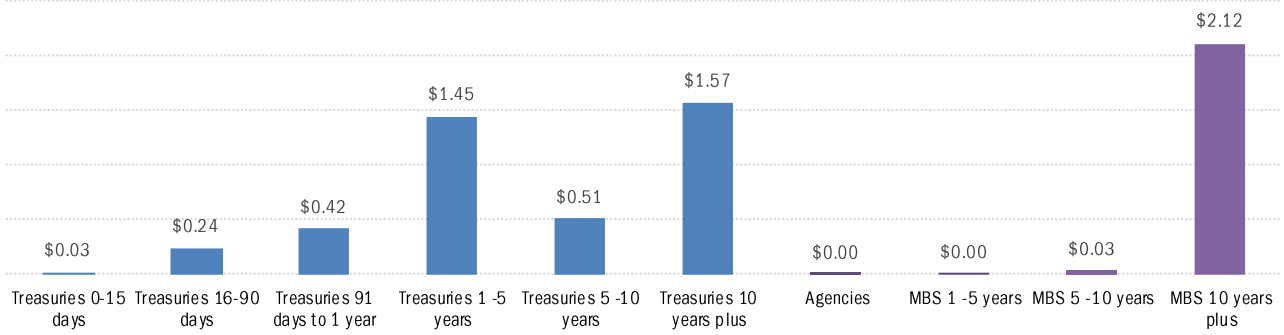
Source: Cleveland Fed, TrendMacro calculations

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



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

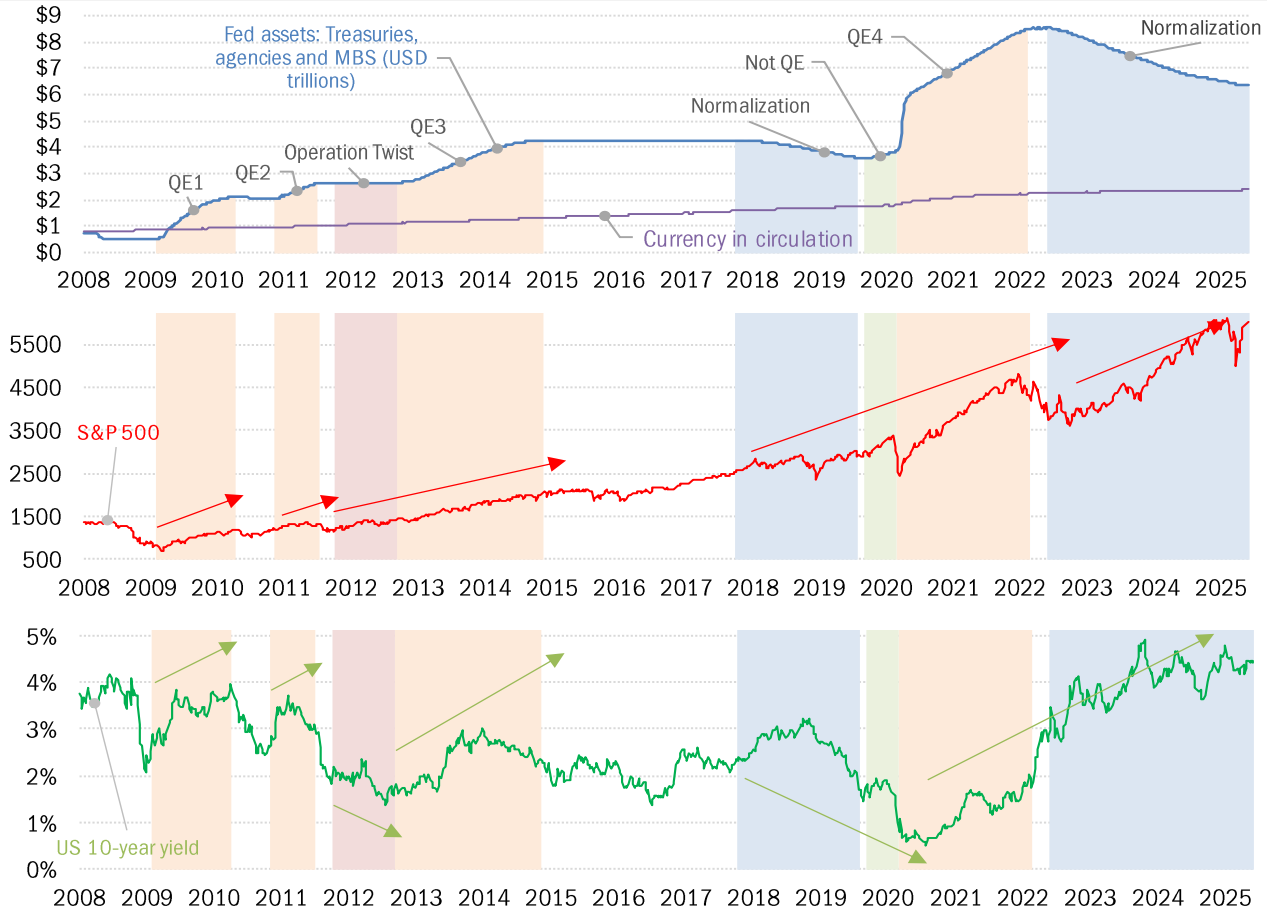
Sector and maturity breakdown of Fed government securities, USD trillions



Source: Federal Reserve, Bloomberg, TrendMacro calculations

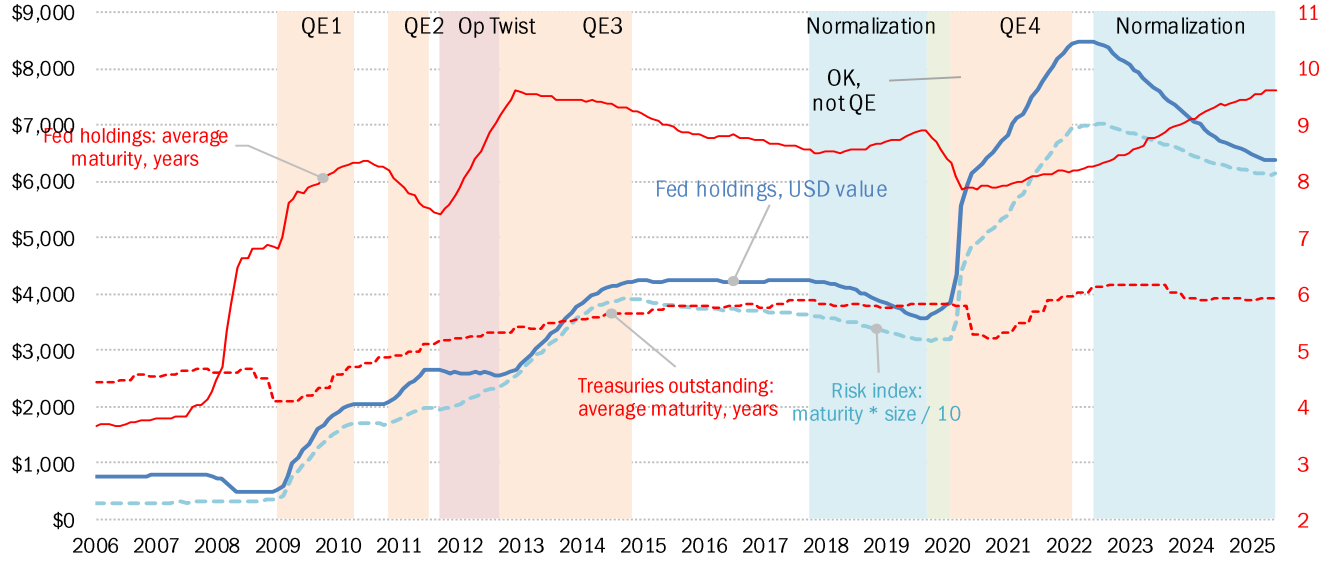
The Fed's asset purchases, and their effects on markets

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



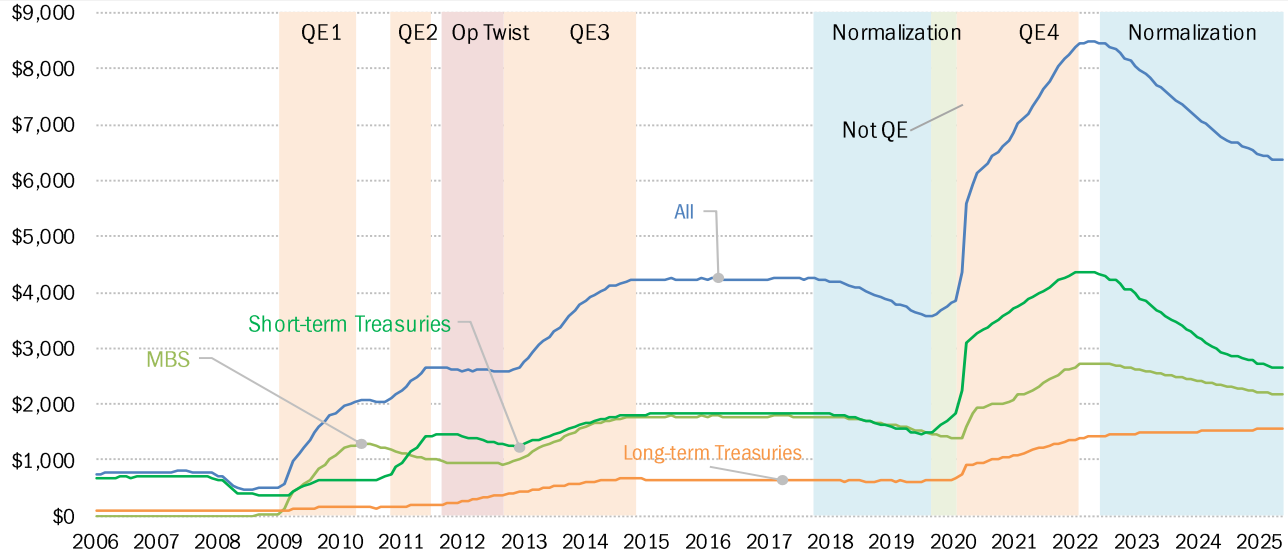
Source: Federal Reserve, Bloomberg, TrendMacro calculations

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



Source: Federal Reserve, Bloomberg, TrendMacro calculations

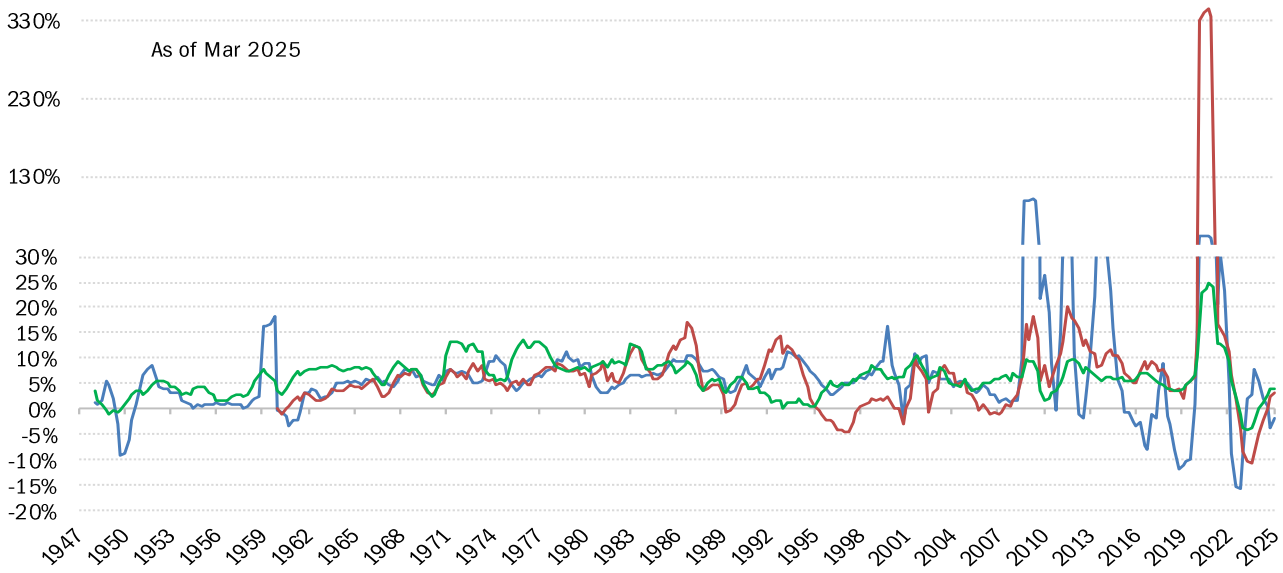
Fed Treasury and MBS portfolio: size by sector and maturity



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