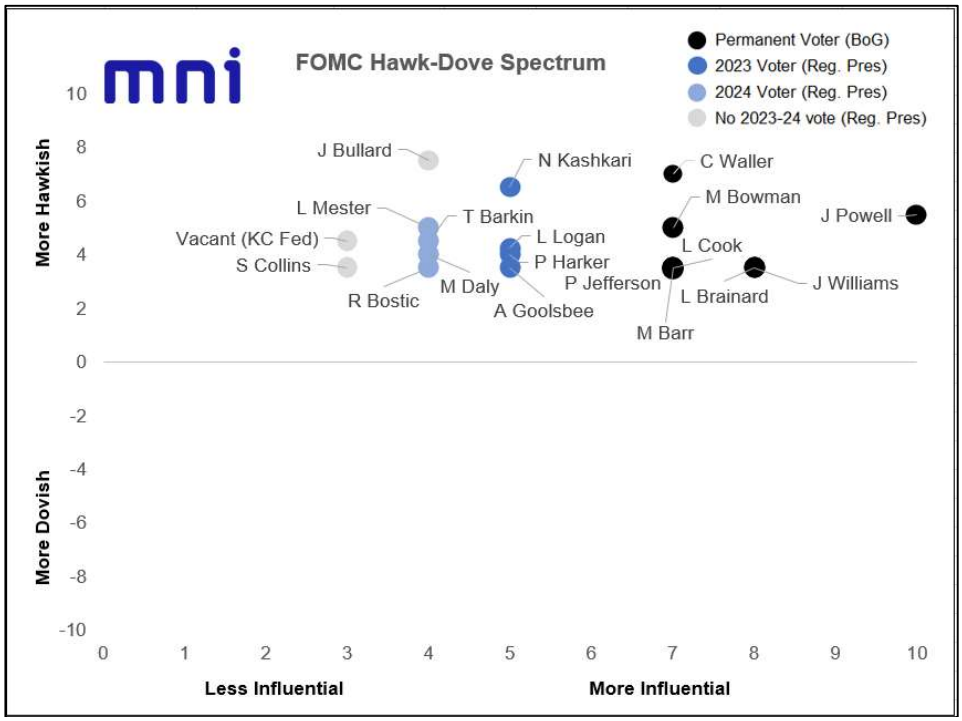
Key Inter-Meeting FedSpeak – Feb 2023

- FOMC participants Waller, Collins, Bostic, Logan, and Harker each said their expectations was for a 25bp raise at the upcoming meeting. Others including Daly suggested openness to either a 25bp or 50bp hike.
- None explicitly endorsed another 50bp hike in February though Bullard's call for the FOMC to reach the terminal rate as quickly as possible implied another >25bp raise.
- **On the terminal rate:** Bullard, Kashkari and Mester ("little bit above the 5-5.25% median") said they pencilled in December Dot Plot end-2023 Fed funds expectations of 5.25-5.50%.
- In the 5.00-5.25% camp were Collins and Bostic.
- Barkin, Daly and Harker see rates rising above 5%, though weren't specific how much higher.
- The other members didn't state what their envisaged terminal rate was. (Recall in the December Dot Plot, 2 of 19 saw 2023 end-year rates of below 5.00-5.25%).
- All FOMC participants indicated that rates should be held at the peak for "some / a long" time.
- **Chair Powell's only appearance** was at an event in Stockholm in which he did not comment on current monetary policy (it was a panel on central bank independence; Powell said "restoring price stability when inflation is high can require measures that are not popular in the short term as we raise interest rates to slow the economy.")



Our matrix uses the following methodology based on the MNI Markets Team`s subjective analysis.* ***Hawkish/Dovish scores*** *indicate MNI`s subjective assessment of each member`s stance on monetary policy. -10 implies member believes aggressive easing warranted; +10 is most hawkish, implies member believes aggressive tightening warranted. Scores around -2 to +2 considered relatively neutral. On ***Influence****, the x-axis runs from 0 ('least influential') to 10 ('most influential'). Voters in the current year receive a minimum score of 6; the Chair receives a 10 and Board of Governors members receive at least 7. Those who are not voters in the current year are limited to a score of 4; among them, those due to vote next year receive higher influence scores (rising towards end of current year), and vice-versa. Recent appointees' monetary policy bias assumed for now to be slightly hawkish.*

Member	Role	Voter		Monetary Policy Commentary Since December FOMC
		'23	'24	
J Powell	BOG, Chair	X	X	**No commentary on current monetary policy since December FOMC**
J Williams	NY Fed, V Chair	X	X	**On rate hikes:** "We're going to have to do what's necessary,.. it could be higher than what we've written down [in the December Dot Plot] …to me, the question of how high we have to get to is really going to depend on what we see in inflation and the supply-and-demand imbalance." **- Dec 16** **On inflation:** "I expect overall inflation to come back down to 2% in the next few years as further tightening of monetary policy realigns the balance between demand and supply…my view is that we're going to see a decline in inflation this year, driven primarily by things that were, you know, heavily dependent on commodities and some of the supply chain issues…We're committed to getting that overall inflation to 2%...that's going to require some further tightening of monetary policy to require slow growth in the economy to get there. But again, we're going to learn as we go". **– Jan 19** **On labor market:** "Clearly some of the new inflation information has been encouraging, but the labor market has been coming in stronger than expected. I've been raising somewhat my forecast for growth and my view of the underlying strength of the labor market." **– Jan 19**
L Brainard	BOG, V Chair	X	X	**On rate hikes:** "The FOMC moved policy into restrictive territory at a rapid pace and subsequently downshifted the pace of increases in the target range at its most recent meeting. This will enable us to assess more data as we move the policy rate closer to a sufficiently restrictive level, taking into account the risks around our dual-mandate goals." **– Jan 19** **On inflation:** "Even with the recent moderation, inflation remains high, and policy will need to be sufficiently restrictive for some time to make sure inflation returns to 2% on a sustained basis… the price trends in core goods and nonhousing services, the tentative indications of some deceleration in wages, the evidence of anchored expectations, and the scope for margin compression may provide some reassurance that we are not currently experiencing a 1970s-style wage–price spiral. For these reasons, it remains possible that a continued moderation in aggregate demand could facilitate continued easing in the labor market and reduction in inflation without a significant loss of employment. Nonetheless, substantial uncertainty remains". **– Jan 19** **On labor market:** "Recent declines in average weekly hours, temporary-help services, and monthly payrolls growth suggest tentative signs that labor demand is cooling....similarly, average weekly hours have declined...That said, labor supply appears likely to remain constrained. Despite constrained supply, wages do not appear to be driving inflation in a 1970s-style wage–price spiral...There are tentative signs that wage growth is moderating. I will be watching to see whether the employment cost index data at the end of this month show the deceleration from the third quarter continuing into the fourth quarter." **– Jan 19** **On monetary tightening lags:** "The lagged effects of earlier accommodation likely offset some of the initial effects of tightening over the course of 2022, and it is likely that the full effect on demand, employment, and inflation of the cumulative tightening that is in the pipeline still lies ahead." **– Jan 19**
M Barr	BOG, V Chair	X	X	**No commentary on current monetary policy since December FOMC**
M Bowman	BOG	X	X	**On rate hikes:** "I expect the FOMC will continue raising interest rates to tighten monetary policy, as we stated after our December meeting…my views on the appropriate size of future rate increases and on the ultimate level of the federal funds rate will continue to be guided by the incoming data and its implications for the outlook for inflation and economic activity…I will be looking for compelling signs that inflation has peaked and for more consistent indications that inflation is on a downward path, in determining both the appropriate size of future rate increases and the level at which the federal funds rate is sufficiently restrictive…Once we achieve a sufficiently restrictive federal funds rate, it will need to remain at that level for some time in order to restore price stability, which will in turn help to create conditions that support a sustainably strong labor market." **– Jan 10** **On labor market:** "So far, the job market has remained resilient despite higher interest rates and slower growth…unemployment has remained low as we have tightened monetary policy and made progress in lowering inflation. I take this as a hopeful sign that we can succeed in lowering inflation without a significant economic downturn. It is likely that as a part of this process, labor markets will soften somewhat before we bring inflation back to our 2 percent goal." **- Jan 10**
L Cook	BOG	X	X	**On inflation:** ""Inflation remains far too high, despite some encouraging signs lately, and is therefore of great concern. As a Fed policymaker, I am committed to bringing inflation back to our 2% goal…both figures are down a bit from the peaks reached in the first half of last year. However, monthly data are quite volatile, so I would caution against putting too much weight on the past few favorable monthly data reports,"**– Jan 6**
P Jefferson	BOG	X	X	**No commentary on current monetary policy since the December FOMC meeting**
C Waller	BOG	X	X	**On rate hikes:** "I currently favor a 25-basis point increase at the FOMC's next meeting at the end of this month. "Beyond that, we still have a considerable way to go toward our 2 percent inflation goal, and I expect to support continued tightening of monetary policy."**– Jan 20** **On inflation:** "Back in 2021, we saw three consecutive months of relatively low readings of core inflation before it jumped back up. We do not want to be head-faked. I will be looking for the recent improvement in headline and core inflation to continue."**– Jan 20** **On labor market:** "While the labor market is strong, it is also tight…wages, as I indicated earlier, are another stream of data that I will be watching for evidence of continued progress to help ease overall inflation. Though recent hourly earnings data are a positive development, I need to see more evidence of wage moderation to sustainable levels." **– Jan 20** **On financial conditions:** "If this loosening of conditions makes things looser in the sense that growth takes off, employment doesn't loosen and inflation starts to take off again then, yeah, we're going to have to do a lot more…the market has a very optimistic view that inflation is just going to melt away. We have a different view.

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		'23	'24	
				It's going to be a slower, harder slog to get inflation down and thus we have to keep rates higher for longer and not cut them before the end of the year." **– Jan 20** **On monetary tightening lags:** "I think it tends to be 9-12 months. So I think we are seeing a lot of the impact from monetary policy coming through in the next quarter or so." **– Jan 20**
P Harker	Phil Fed	**X**		**On rate hikes:** "I think we get north of 5 - again we can argue whether it's 5.25% or 5.5% - but we sit there for a while." **– Jan 18** "At some point this year, I expect that the policy rate will be restrictive enough that we will hold rates in place to let monetary policy do its work." **– Jan 20** **On labor market:** "GDP growth will be modest, but I'm not forecasting a recession. The labor markets are simply too hot to indicate a significant downturn at this point. **– Jan 18** **On the size of the hike at the next meeting:** "I expect that we will raise rates a few more times this year, though, to my mind, the days of us raising them 75 basis points at a time have surely passed…In my view, hikes of 25 basis points will be appropriate going forward". **– Jan 20**
N Kashkari	Minn. Fed	**X**		**On rate hikes:** "It will be appropriate to continue to raise rates at least at the next few meetings until we are confident inflation has peaked…I have us pausing at 5.4%, but wherever that end point is, we won't immediately know if it is high enough to bring inflation back down to 2% in a reasonable period of time…any sign of slow progress that keeps inflation elevated for longer will warrant, in my view, taking the policy rate potentially much higher." **– Jan 4**
L Logan	Dall. Fed	**X**		**On rate hikes:** "To put ourselves in the best position to manage the risks, I believe we shouldn't lock in on a peak interest rate. Rather, we need to continually and carefully assess what the incoming data imply about the economic outlook and adjust course accordingly… if you're on a road trip and you encounter foggy weather or a dangerous highway, it's a good idea to slow down. Likewise if you're a policymaker in today's complex economic and financial environment. That's why I supported the FOMC's decision last month to reduce the pace of rate increases. And the same considerations suggest slowing the pace further at the upcoming meeting." – **Jan 18** "We can and, if necessary, should adjust our overall policy strategy to keep financial conditions restrictive even as the pace slows. For example, a slower pace could reduce near-term interest rate uncertainty, which would mechanically ease financial conditions. But if that happens, we can offset the effect by gradually raising rates to a higher level than previously expected." **– Jan 18** **On inflation:** "It's hard to point to special circumstances that suggest services inflation will go away on its own. Rather, I see elevated services inflation as a symptom of an overheated economy, particularly a tight labor market, which will have to be brought into better balance for the overall inflation rate to return sustainably to 2 percent.**" – Jan 18** **On labor market:** "Some business contacts also tell me their hiring plans are slowing. In addition, wage pressures moderated in the latest national report on average hourly earnings. I'd need to see a lot more data, though, to be convinced the labor market is no longer overheated. To achieve better balance, labor supply will have to increase, or labor demand will have to decrease." **– Jan 18**
A Goolsbee	Chic. Fed	**X**		**New appointee, no commentary on current monetary policy since the December FOMC meeting**
T Barkin	Rich. Fed		**X**	**On rate hikes**: "Now, with forward-looking real rates positive across the curve and therefore our foot unequivocally on the brake, it makes sense to steer more deliberately as we work to bring inflation down." **– Jan 12** "I want to see inflation, and median and trimmed mean, compellingly headed back to our target…as long as inflation stays elevated, we need to continue to move the needle, to tighten if you will, ever more." **– Jan 17**
R Bostic	Atl. Fed		**X**	**On rate hikes:** "If the information I get from business leaders and others is consistent with [indications of slowing inflation, and the first signals we are getting is they are, I'll be comfortable moving at a slower rate, even 25 basis points, relative to what you saw us do through 2022."– **Jan 13** **On inflation:** "This report [December CPI] was really welcome news. It really suggests that inflation is moderating and it gives me some comfort that we might be able to move more slowly now that we are in restrictive territory." **– Jan 13**
M Daly	S.F. Fed		**X**	**On rate hikes and the terminal rate:** "I think something above 5 is absolutely, in my judgment, going to be likely. But when I say absolutely going to be likely, I still have uncertainty bands around that. But that's where I'm putting it right now. My own projection is we'll need to go above 5. How far above 5 we need to go, not completely clear. But importantly, we have a lot of data coming in and we have meetings in which we can debate this." **– Jan 9** Doing it in more gradual steps does give you the ability to respond to incoming information." **-Jan 9** **On the size of the hike at the next meeting:** "Heading into the next meeting I see those as both on the table, 25 or 50." – Jan 9
L Mester	Clev. Fed		**X**	**On rate hikes:** "We're not at 5% yet, we're not above 5%, which I think is going to be needed given where my projections are for the economy…I just think we need to keep going, and we'll discuss at the meeting how much to do… I was a bit higher than the median SEP projection for 2023." **– Jan 18** **On inflation:** "I think about what the most recent monthly numbers are telling us is that we can have some confidence or more confidence about the inflation projections, which do have inflation moving down this year…My own view is that it's going to take more policy action, to be assured that inflation is on a sustained downward path to 2% but I will — I do acknowledge that we've got some welcome news there." **– Jan 18** **On labor market:** "I'm anticipating we'll see some increase in the unemployment rate, but that it'll be less than one would typically see in an economic slowdown. I do have economic growth being well below trend. And that's going to temper the labor market, but it's just -- we're in a period where demand -- labor demand is still quite strong and quite a bit stronger than supply and so you can get that action of rebalancing on the demand side more than on the supply side." **– Jan 18**
J Bullard	St. Louis Fed			**On rate hikes:** "It now appears that the policy rate will move into the sufficiently restrictive zone during 2023. During 2023, actual inflation will likely follow inflation expectations to a lower level as the real economy normalizes…the policy rate is still a little bit below the sufficiently restrictive zone, so I think it would behoove the committee to get into that zone as soon as we can without ignoring the data." **– Jan 5** "I've liked the frontloading

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		'23	'24	
				policy, I think if we want to move to the low 5% level we should go ahead and get to that level so we get the disinflationary impact of that now,..the Fed is going to have to maintain rates at high enough levels to make sure inflation is moving down and staying down on a consistent basis." **– Jan 12 (post-CPI data) [On his 2023 Dot in the December Dot Plot]:** "We put in a dot for the end of 2023 at 5 1/4 or 5 1/2 percent. So I guess we're calling it 5 3/8ths. So that would be slightly higher than the median dot, although I would caution everyone that these kinds of things are a guess." **– Jan 18** **On being open to 50bp hike at the next meeting:** "Yes, why not go to where we are supposed to go, where we think the policy rate should be for the current situation?" **– Jan 18**
S Collins	Bos. Fed			**On rate hikes:** "I anticipate the need for further rate increases, likely to be just above 5%, and then holding rates at that level for some time…now that rates are in restrictive territory and we may (based on current indicators) be nearing the peak, I believe it is appropriate to have shifted from the initial expeditious pace of tightening to a slower pace – though appropriate policy will, of course, depend on a holistic review of available data. More measured rate adjustments in the current phase will better enable us to address the competing risks monetary policy now faces – the risk that our actions may be insufficient to restore price stability, versus the risk that our actions may cause unnecessary losses in real activity and employment." **– Jan 19** **On labor market:** "Bringing labor market conditions into better balance will therefore be critical to achieving our inflation target. While labor market activity has shown some signs of moderating, there is still a long way to go." **– Jan 19** **On the size of the hike at the next meeting**: "I think 25 or 50 would be reasonable; I'd lean at this stage to 25, but it's very data-dependent… adjusting slowly gives more time to assess the incoming data before we make each decision, as we get close to where we're going to hold. Smaller changes give us more flexibility." **– Jan 11**
Vacant	K.C. Fed			**Pres. Esther George is retiring and will not participate in the upcoming FOMC meeting. Her successor has not yet been named**