

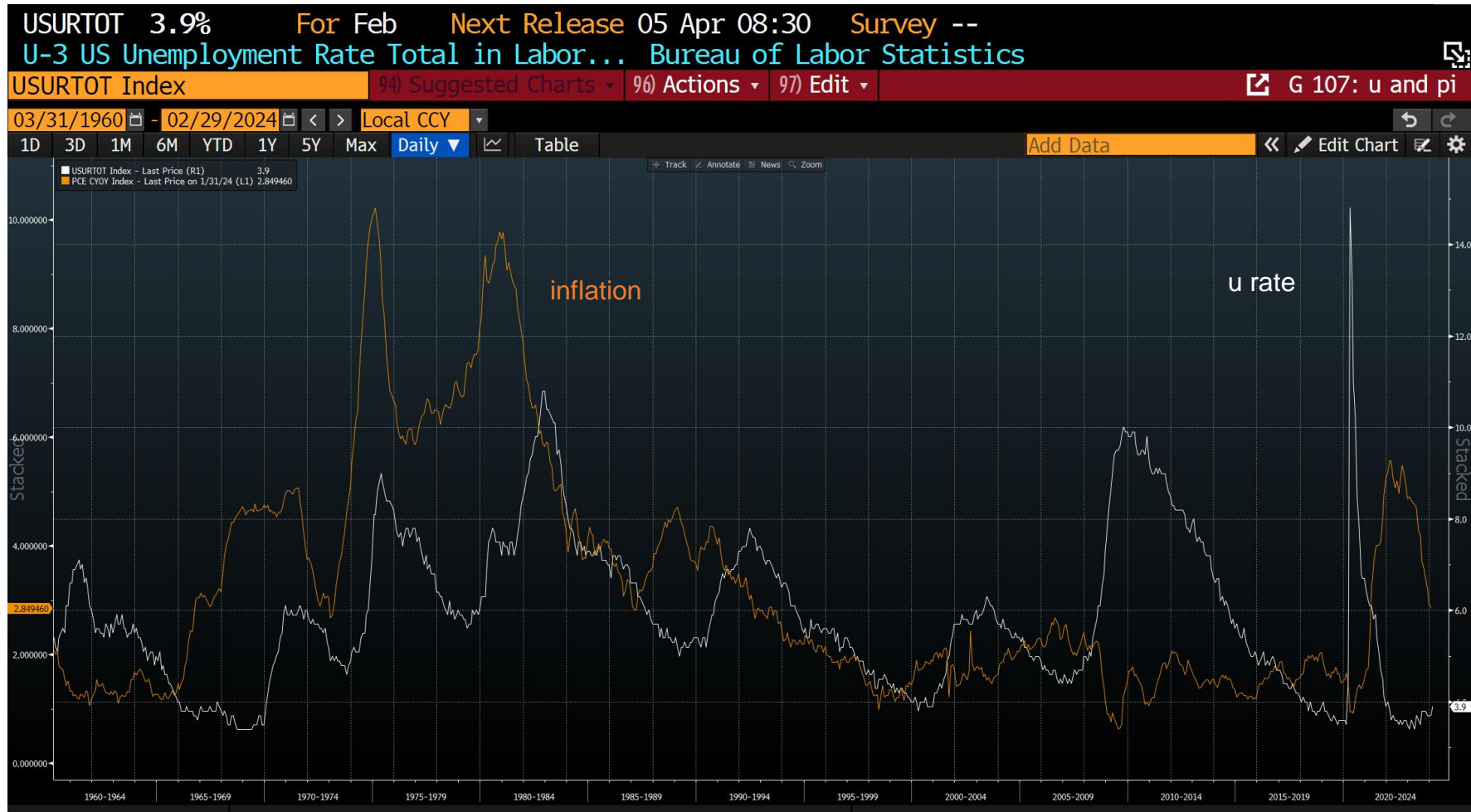
Abstract geometric lines in black on a white background, forming various overlapping polygons and triangles. The lines are thin and intersect to create a complex, layered pattern.

# US OUTLOOK AND THE FED

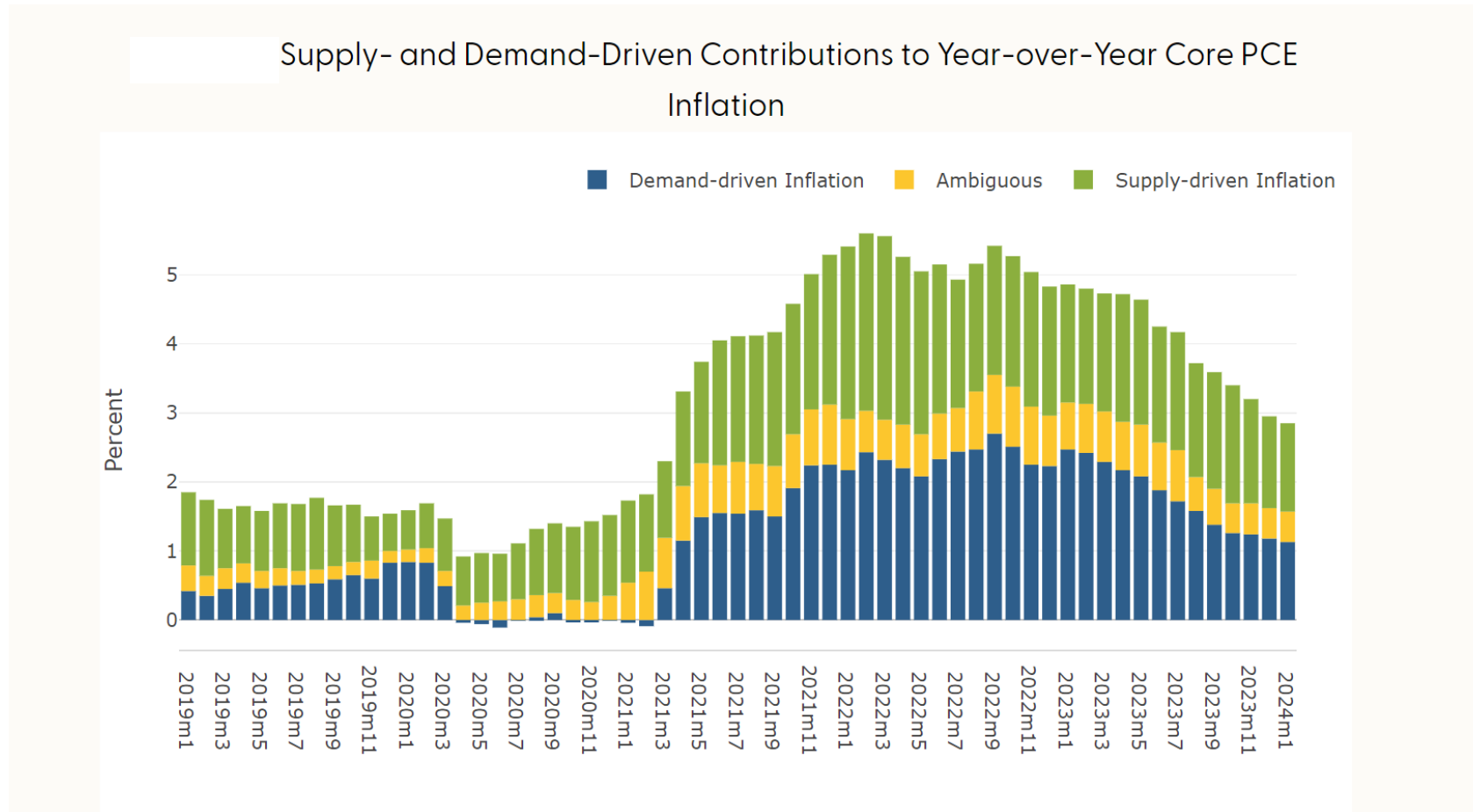
RICHARD CLARIDA

COLUMBIA UNIVERSITY  
NBER

# UNEMPLOYMENT AND INFLATION SINCE 1960



# SF FED SUPPLY DEMAND DECOMPOSITION OF INFLATION

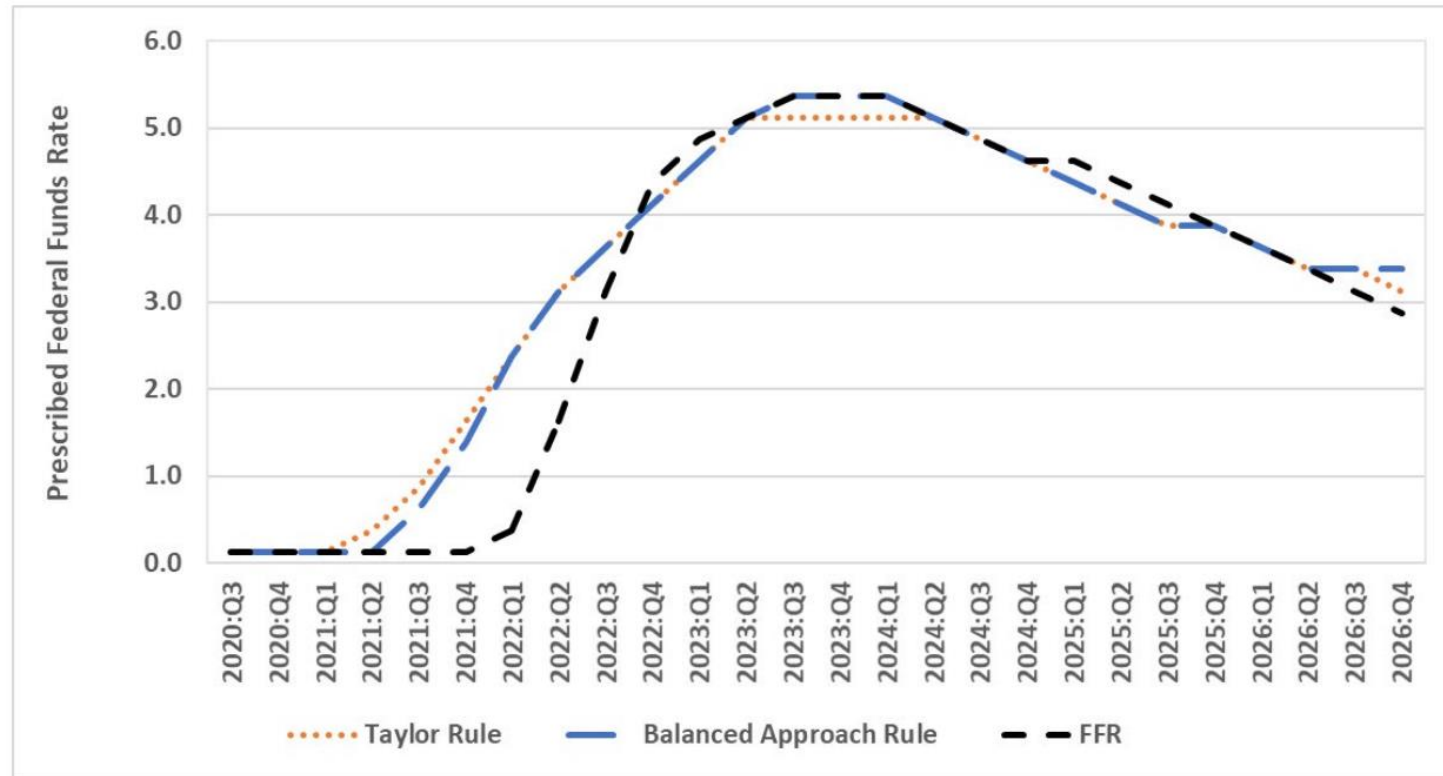


# WHAT WERE THEY (FED AND MARKETS) THINKING? *TIPS MARKET ALSO ON TEAM TRANSITORY IN 2021*

CPURNSA Realized and Fixing Swap Implied CPI YoY Path (as of 2024-02-23)



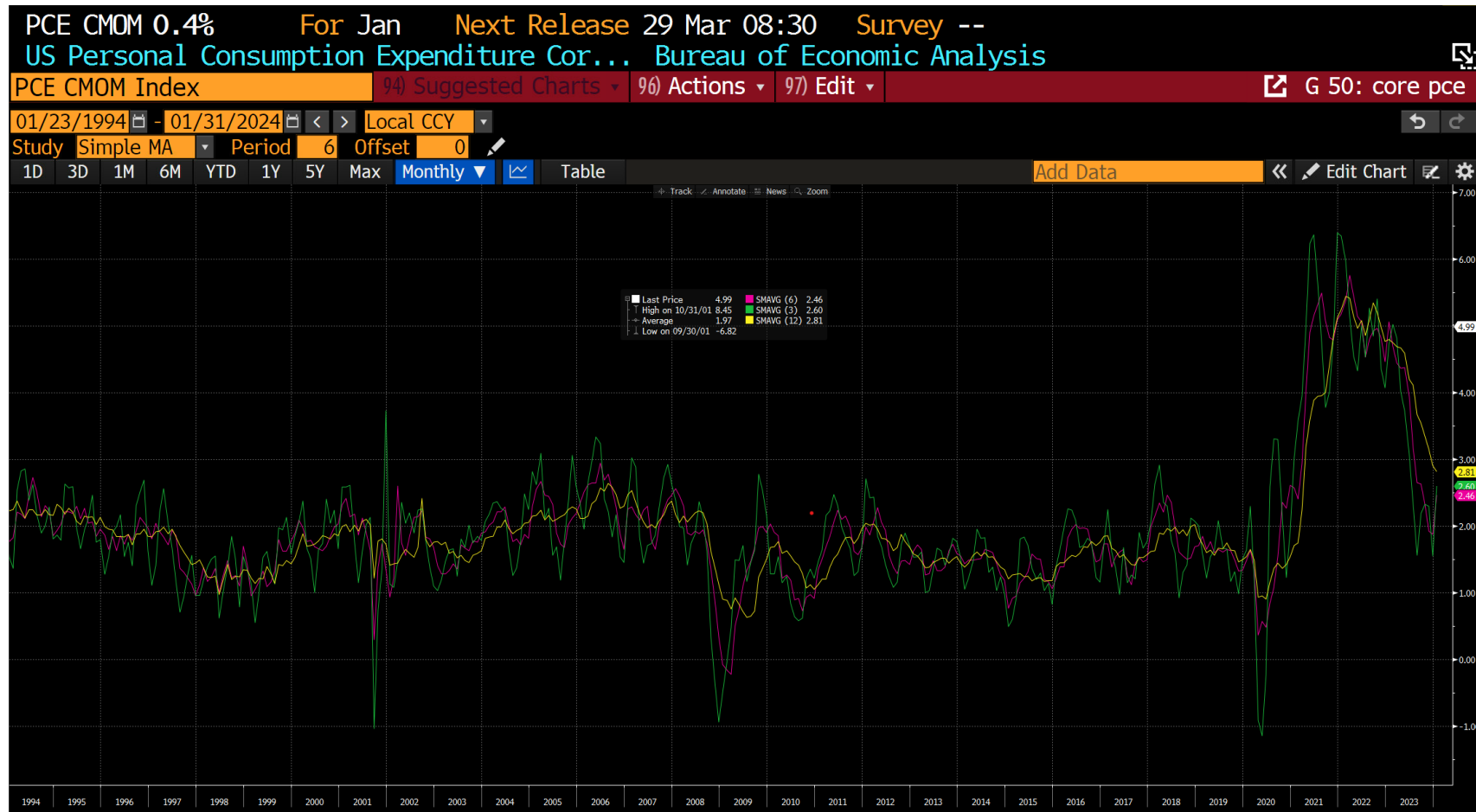
# FED LIFT OFF VERSUS TAYLOR RULE COUNTERFACTUAL



Papell and Prodan-Boul (2024)

# CORE PCE INFLATION BACK TO “TWO POINT SOMETHING”

$3M = 2.6$ ;  $6M = 2.5$ ;  $12M = 2.8$

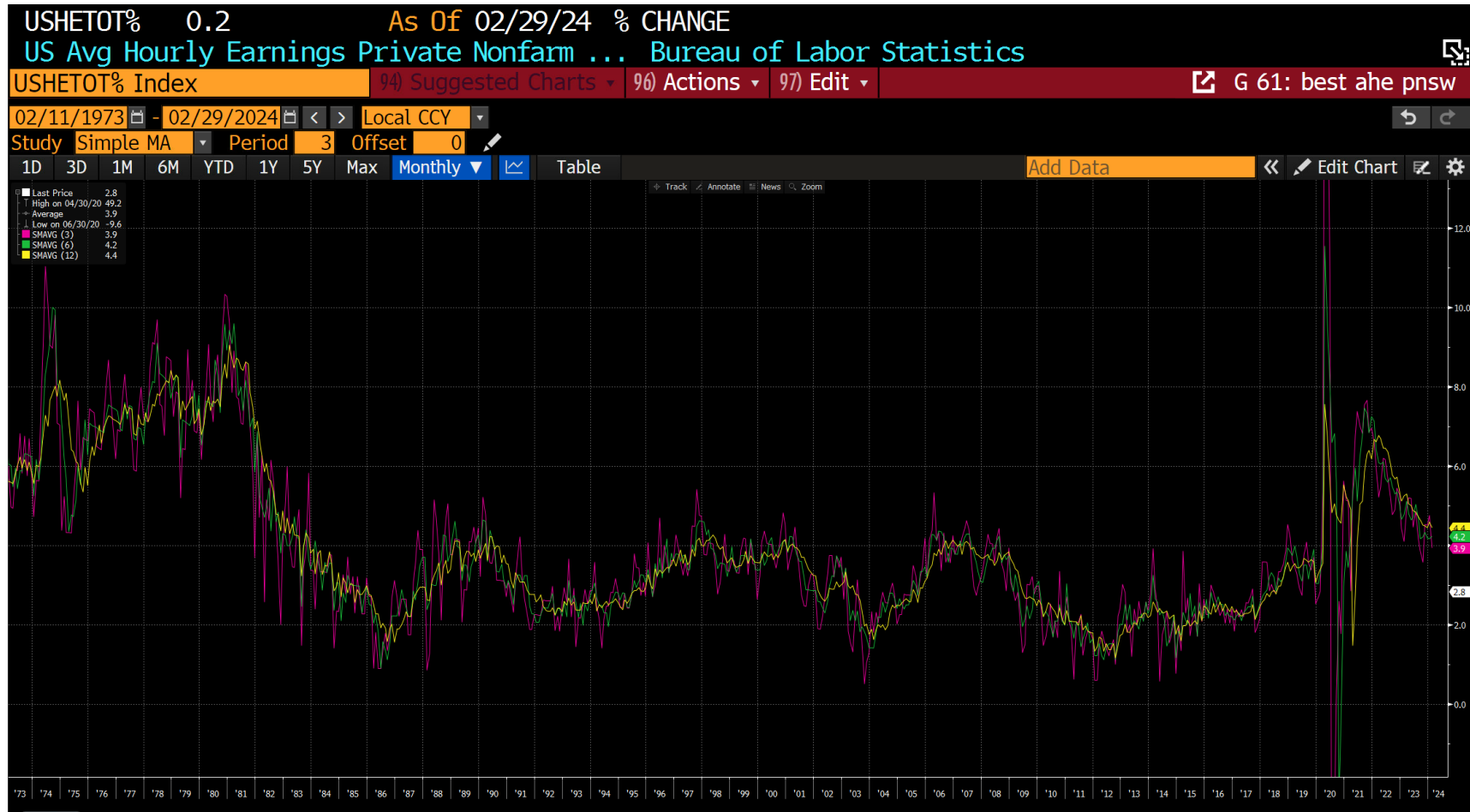


BUT CORE CPI MOVING IN WRONG DIRECTION  
3M = 4.1; 6M = 3.8; 12M = 3.7

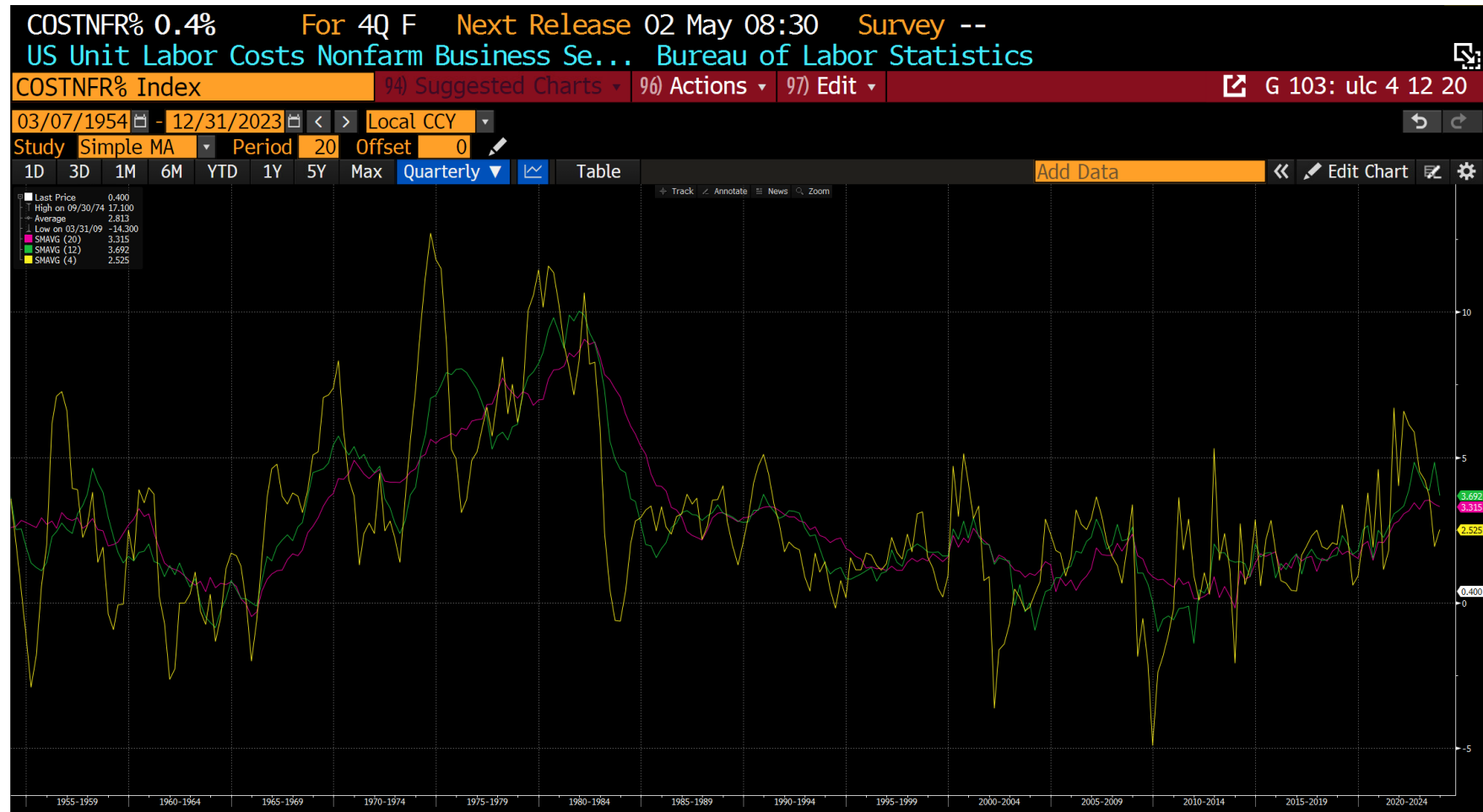


# WAGE INFLATION MOVING IN RIGHT DIRECTION

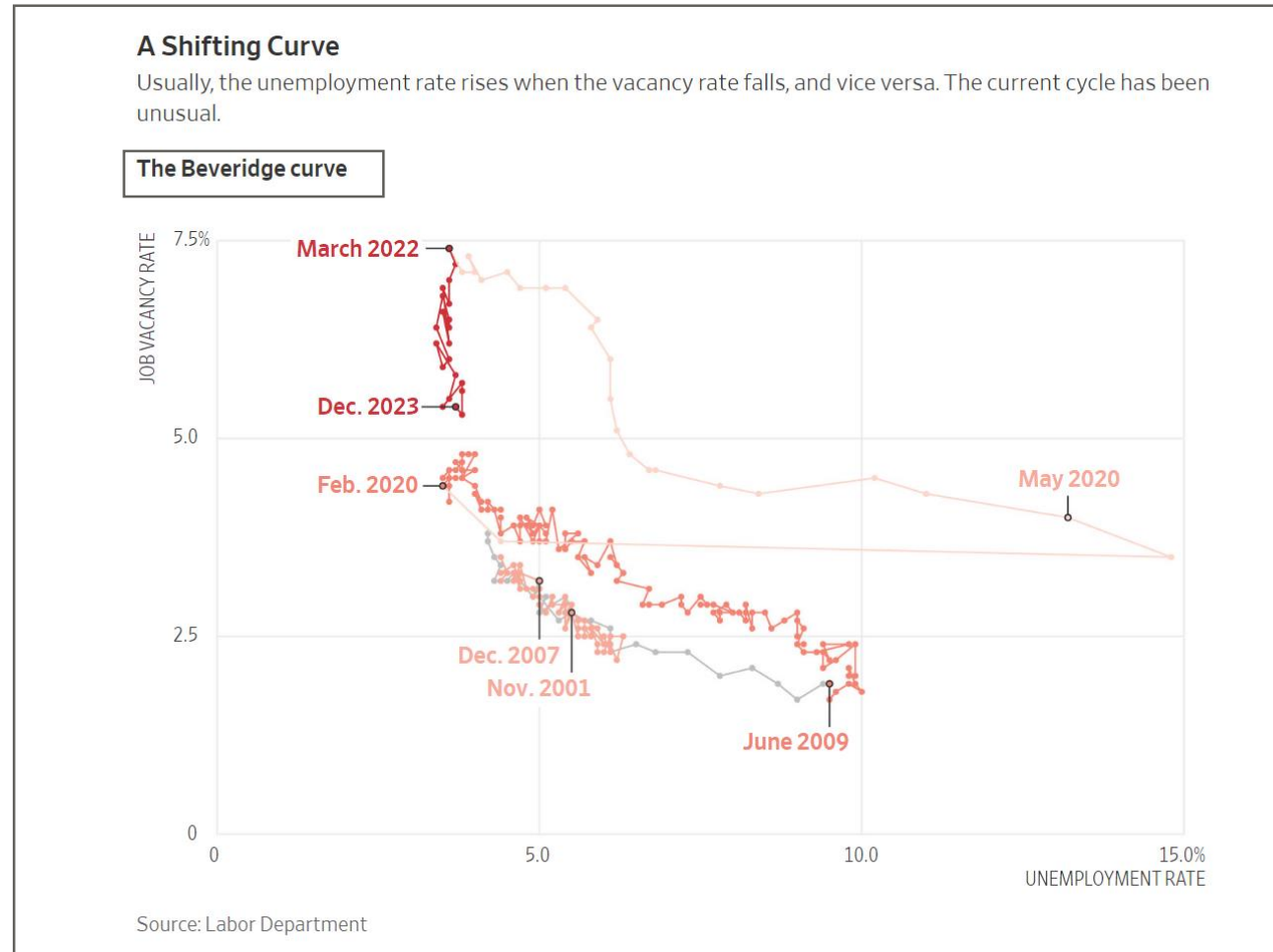
3M = 3.9; 6M = 4.2; 12M = 4.4



# ULC INFLATION RUNNING AT 2.5% LAST 4 QUARTERS



# LABOR MARKET ADJUSTING THRU V AND Q AND L NOT U *WALLER WAS RIGHT*



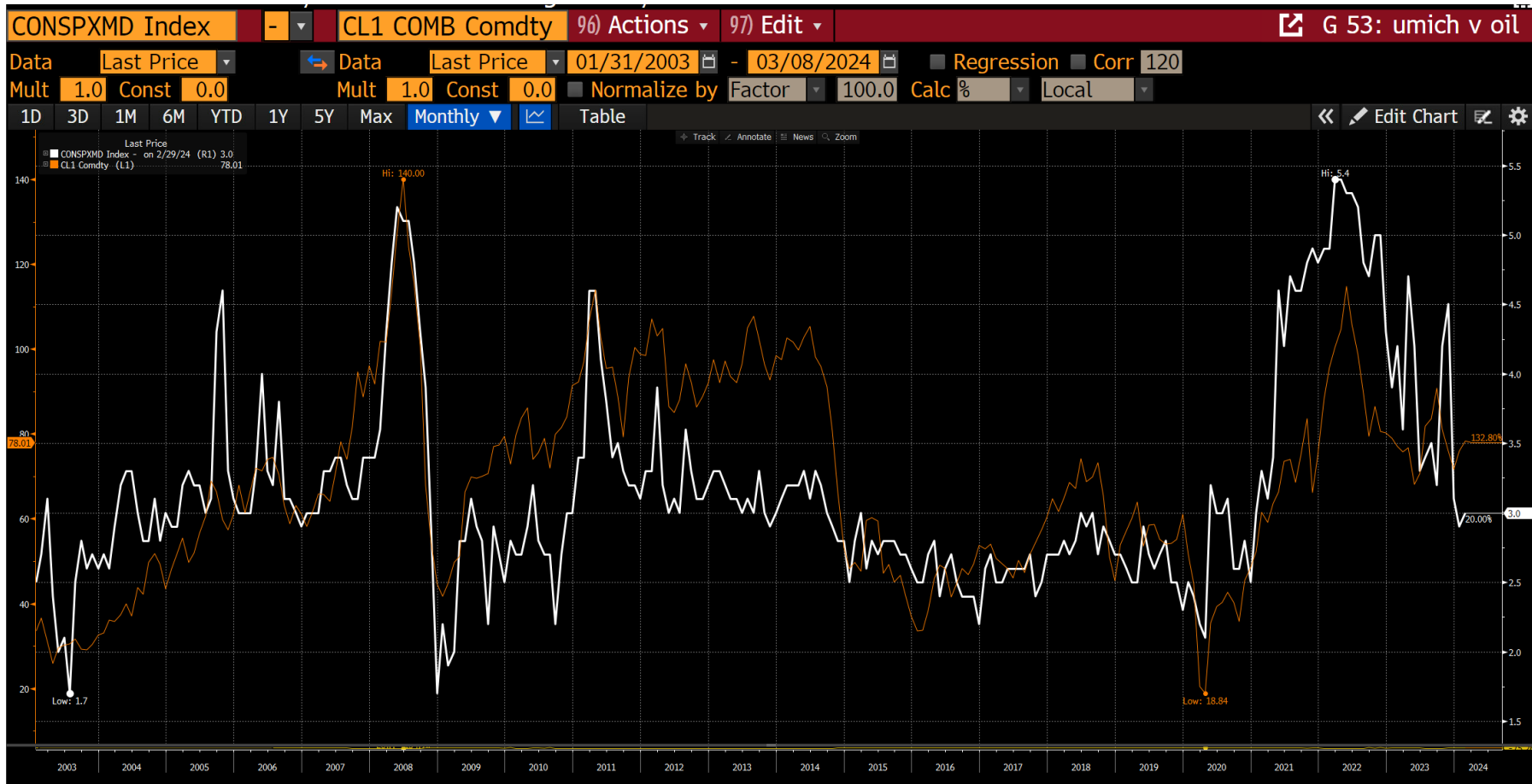
Source: WSJ

# BREAK EVEN INFLATION WELL ANCHORED

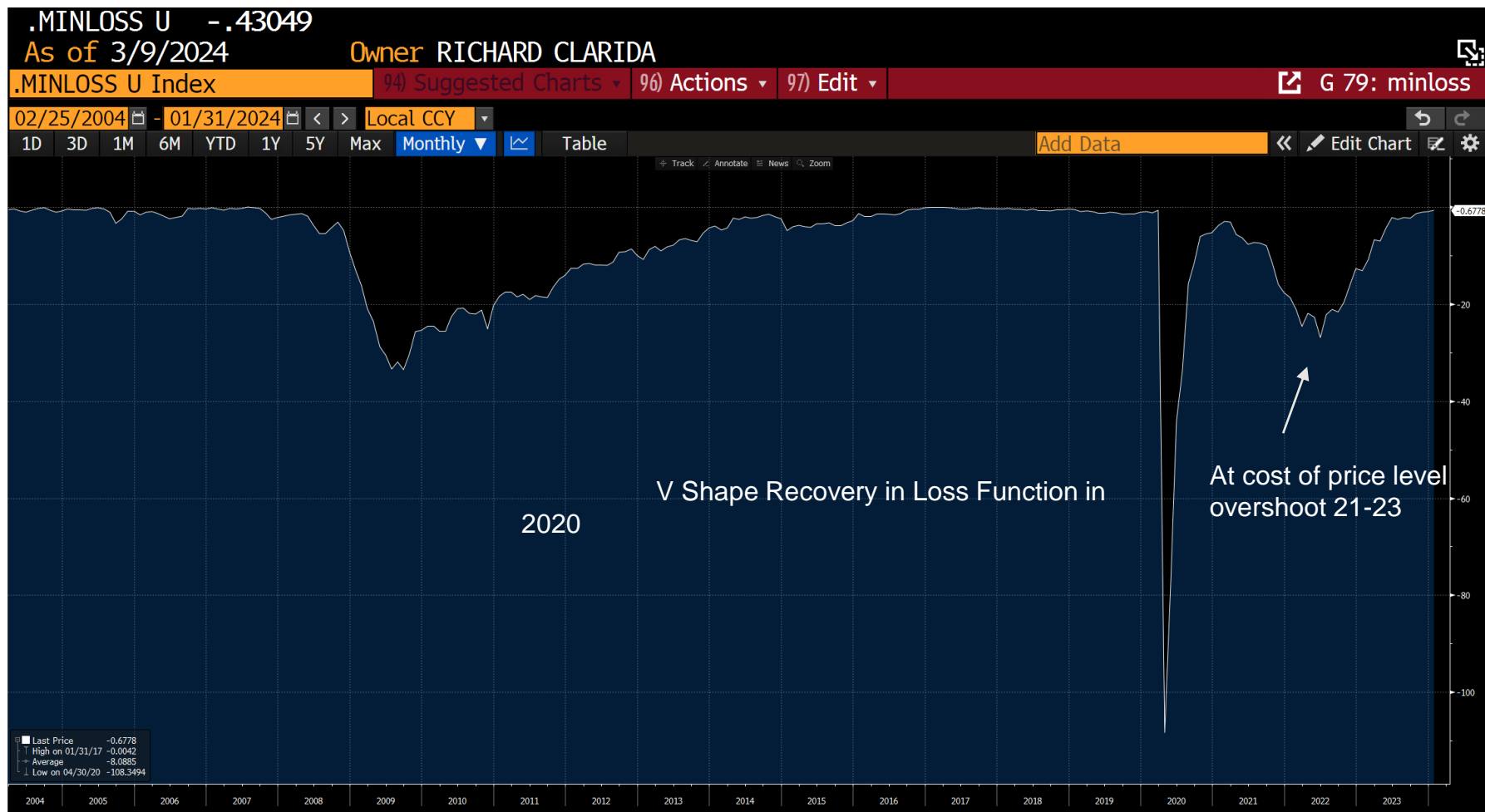


# AS ARE SURVEY MEASURES (AFTER A SCARE IN 21-22)

## *U MICHIGAN ONE YEAR AHEAD EXPECTED INFLATION*



# REALIZED QUADRATIC LOSS IN $\pi$ AND U

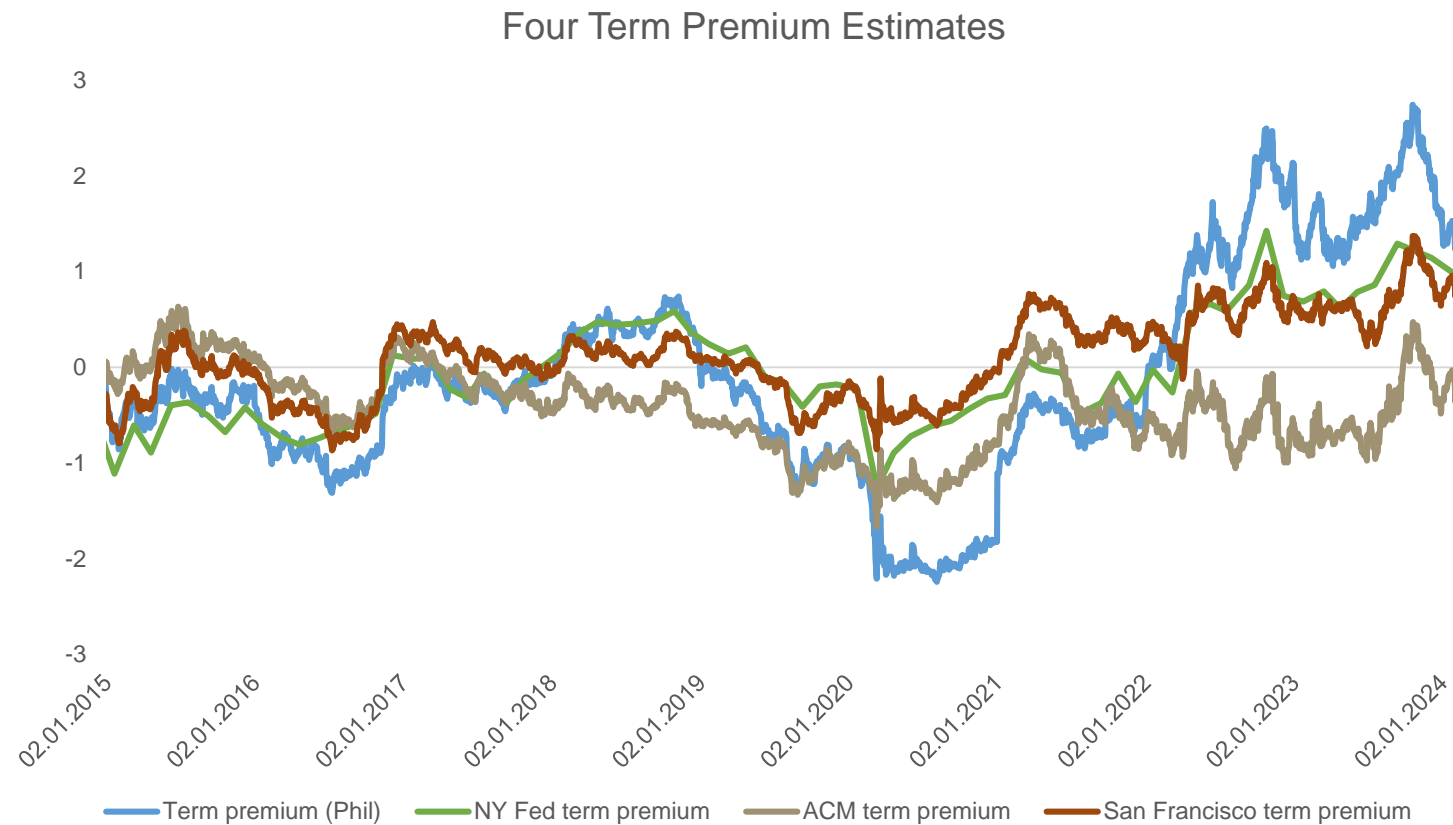


# 10-YEAR TREASURY YIELD VS LONG RUN NOMINAL NEUTRAL *USING LAUBACH AND WILLIAMS $R^*$*



Source: "Sovereign Markets Global Factor" presented at Atlanta Fed Amelia Island Conference, May 17 2021

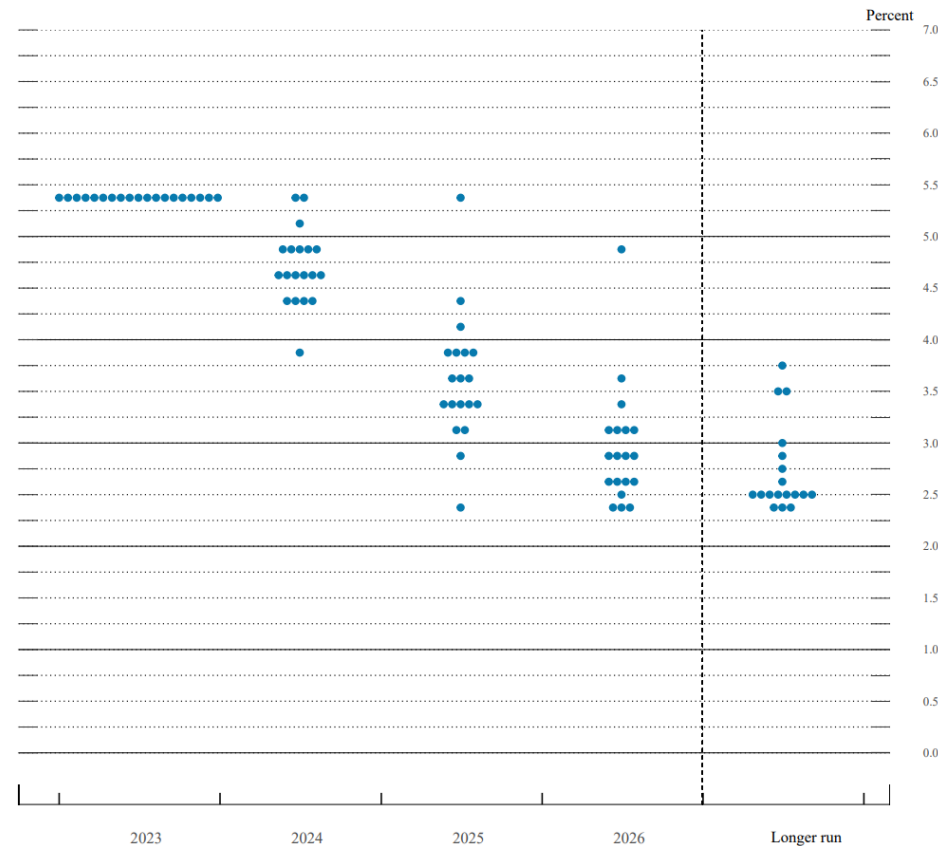
# WILL THE TRUE TERM PREMIUM PLEASE STAND UP?



# FED RATE PROJECTIONS

## 3 CUTS IN 24, 4 CUTS IN 25, 3 CUTS IN 26

. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate

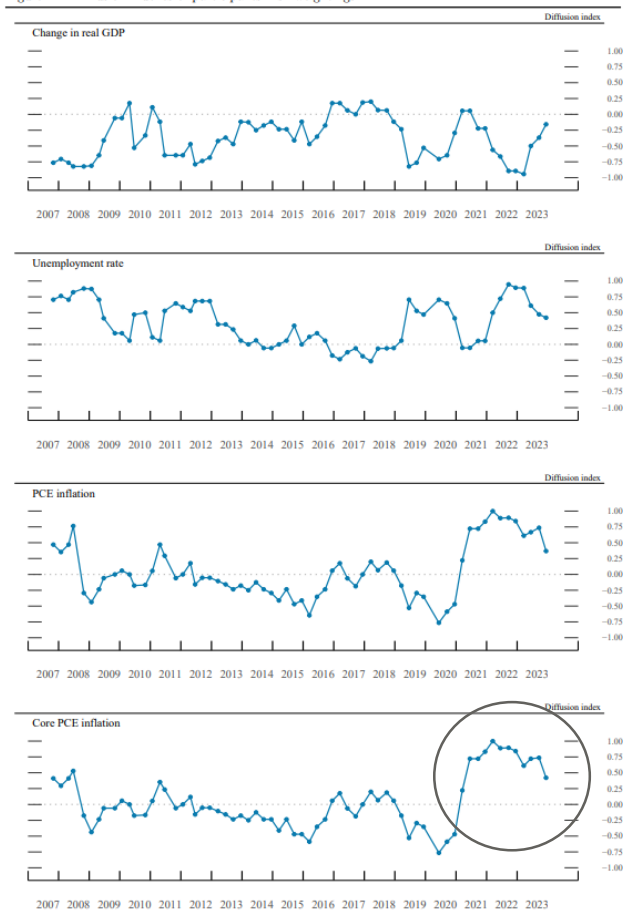


← LR Nominal Neutral 2.5 %

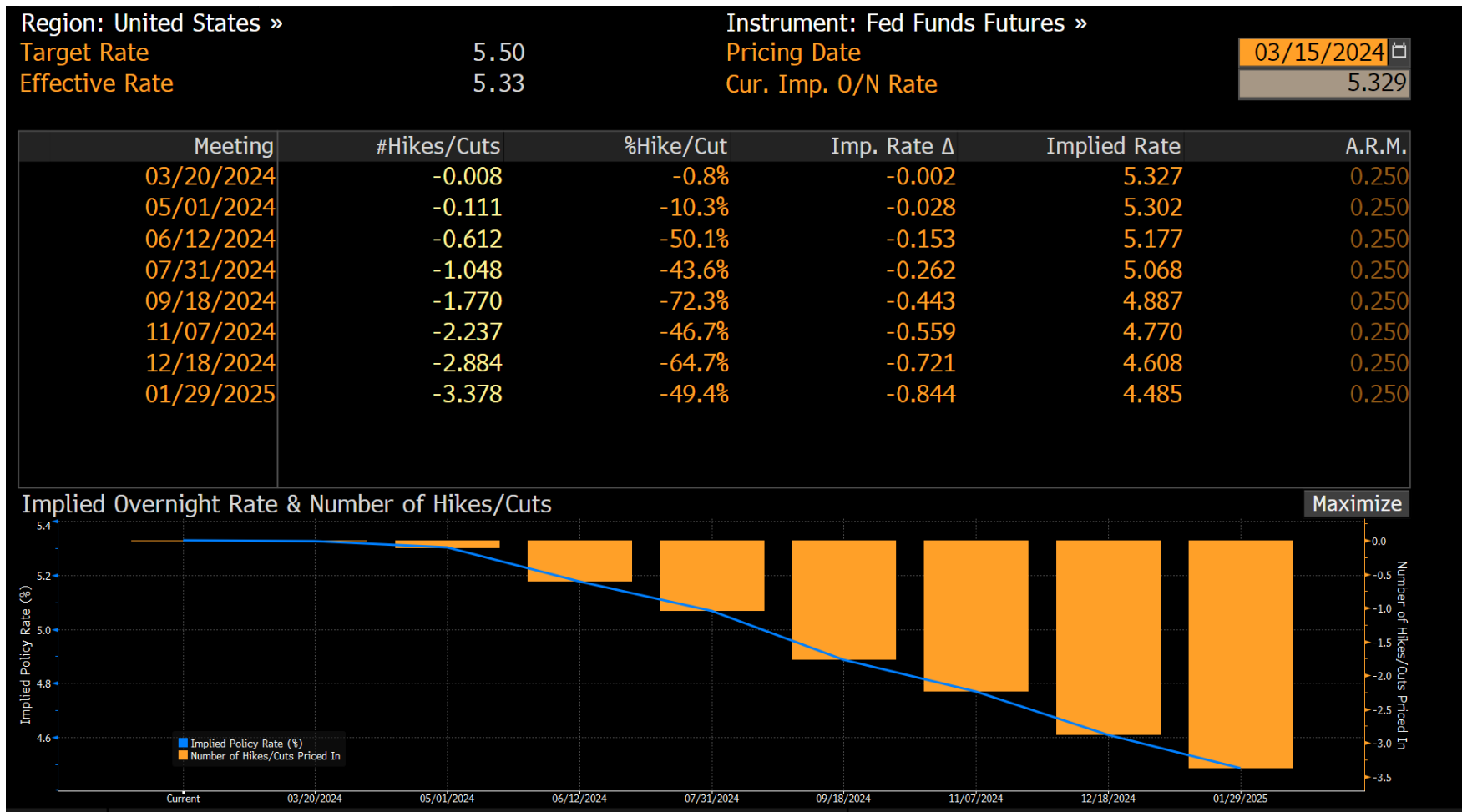
# FED SINCE 2020 PROVIDES BALANCE OF RISK INFO

## *INFLATION RISK ELEVATED BUT MOVING LOWER*

Figure 4.E. Diffusion indexes of participants' risk weightings



# WHAT'S PRICED IN FOR THE FED *AFTER DECEMBER FOMC 6 CUTS PRICED IN!*





THANK YOU