CFI Fed Deck

November 2024

An easing cycle is underway

The federal funds target
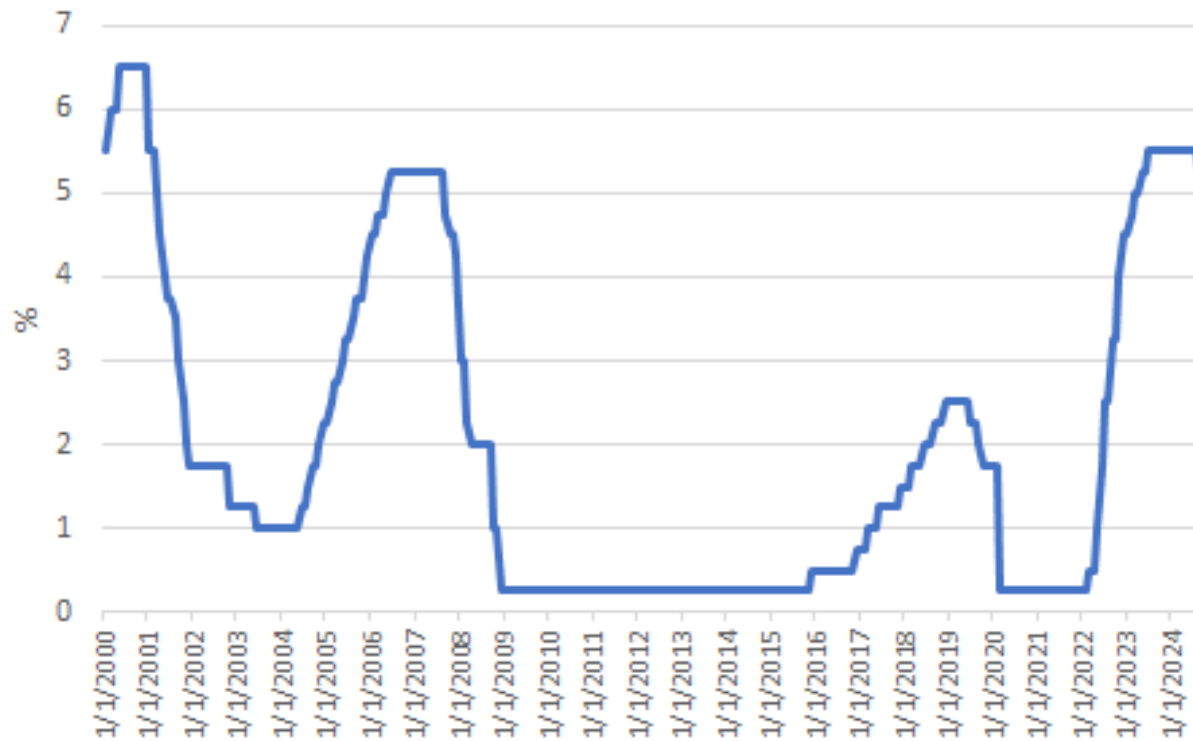
Real rates are elevated

The real federal funds target
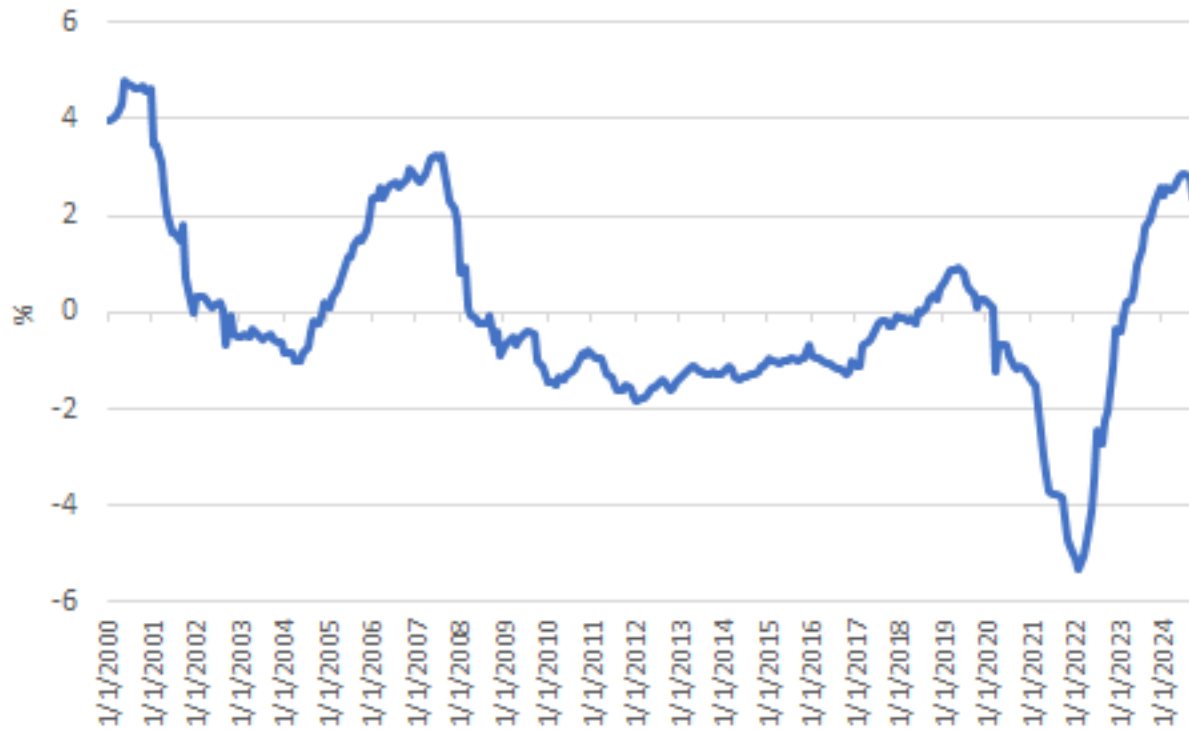
The Fed balance sheet is shrinking slowly

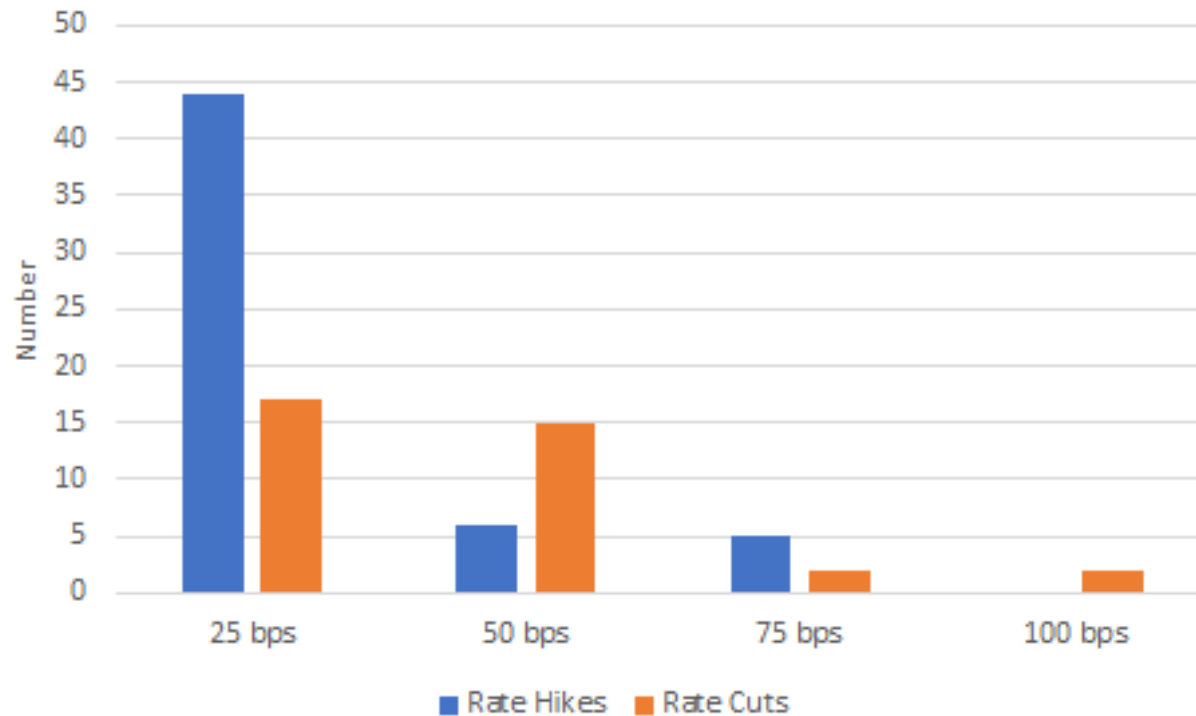Assets on the Federal Reserve balance sheet
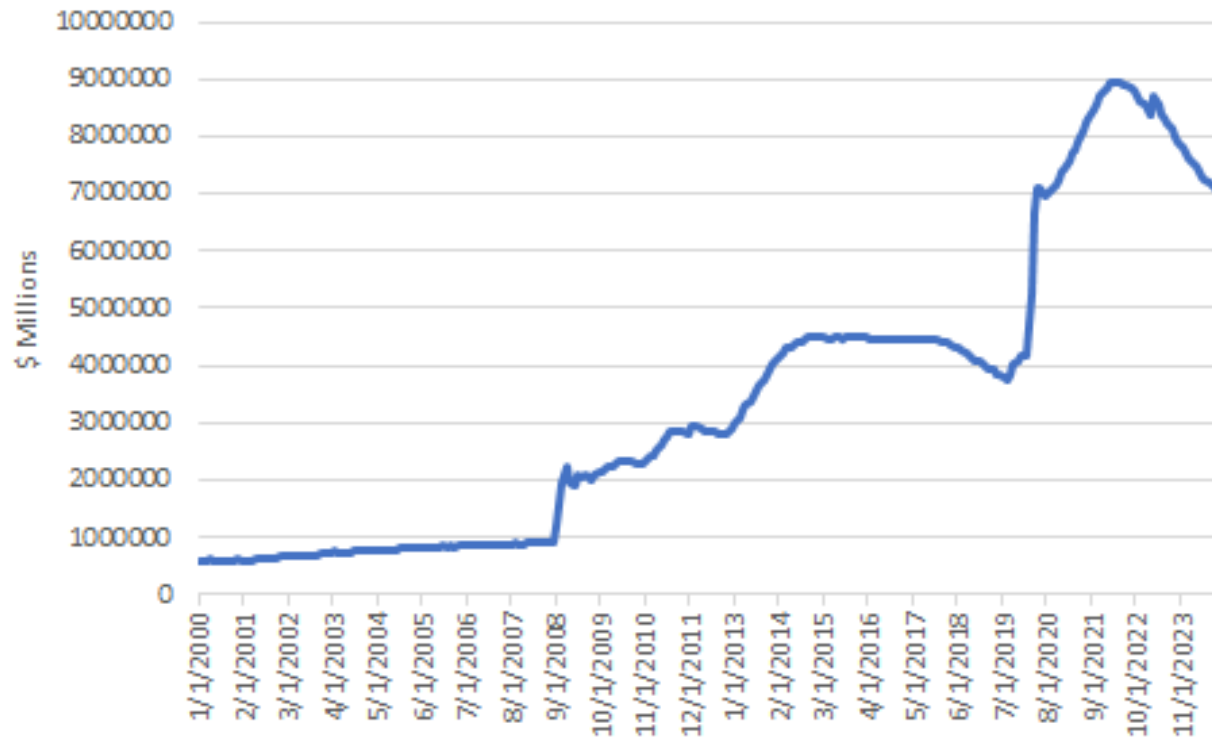
Rate cuts are often aggressive

Magnitude of changes in the federal funds target, 1994-present

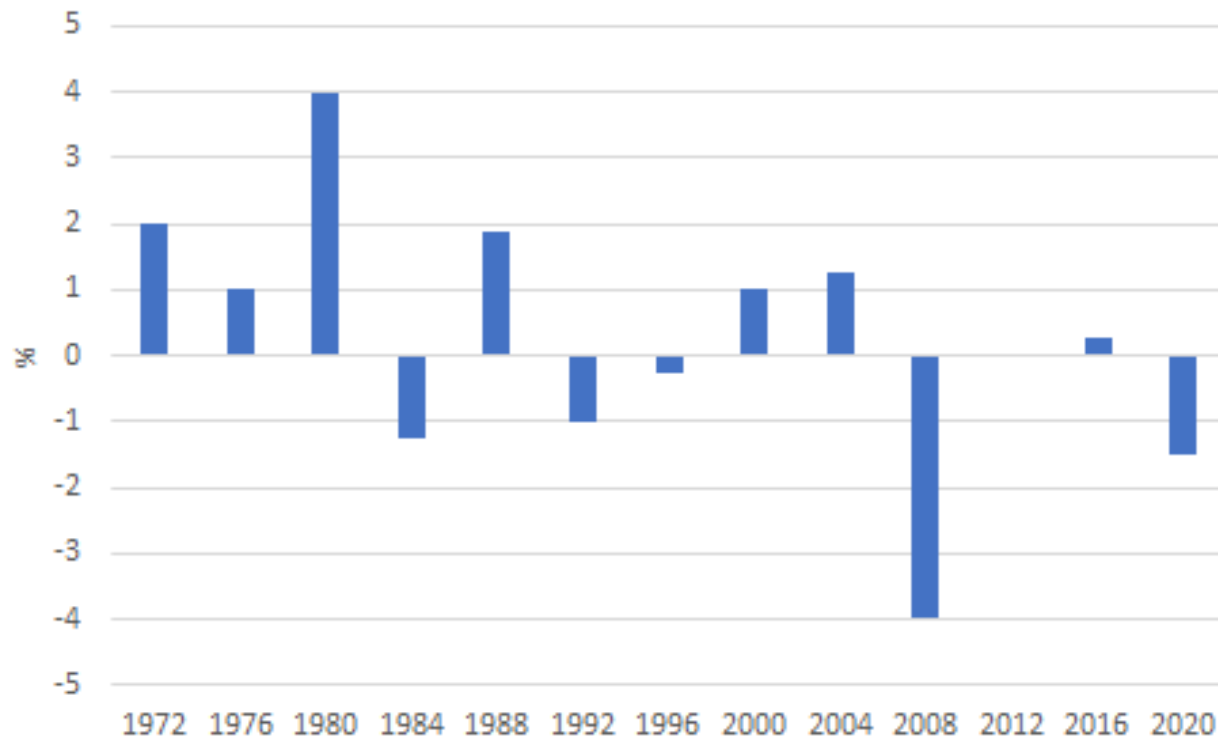# Policy has been mixed in election years

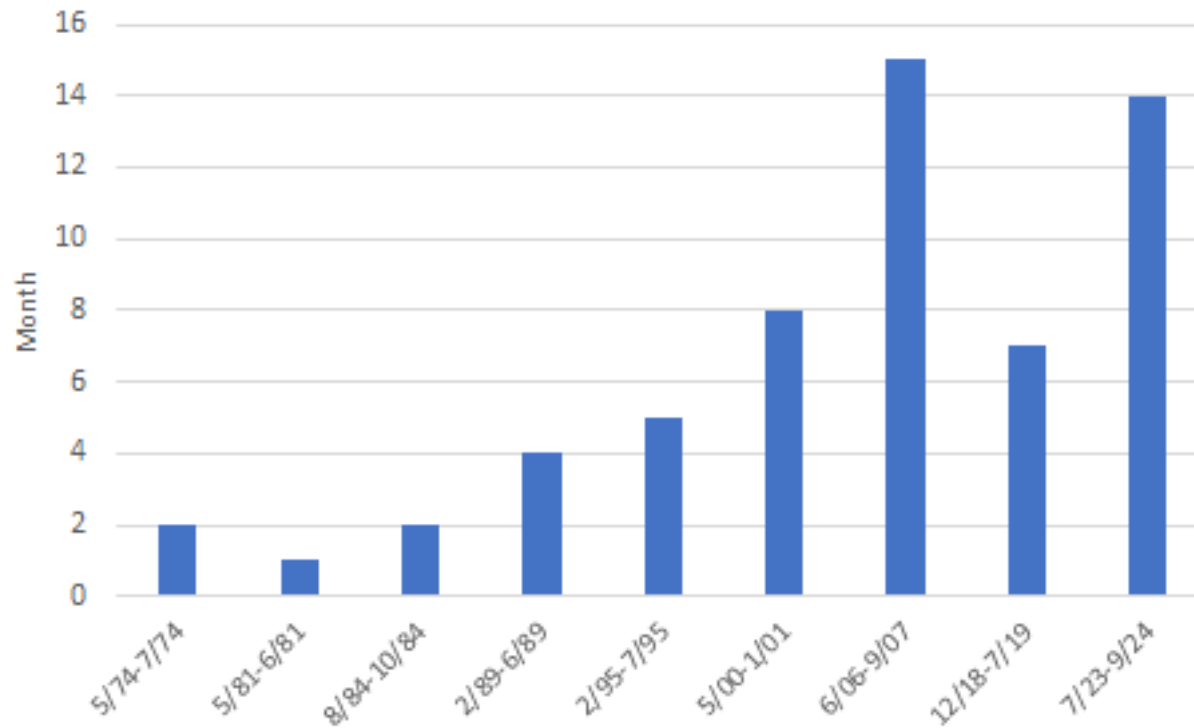Changes in the federal funds target in presidential election years
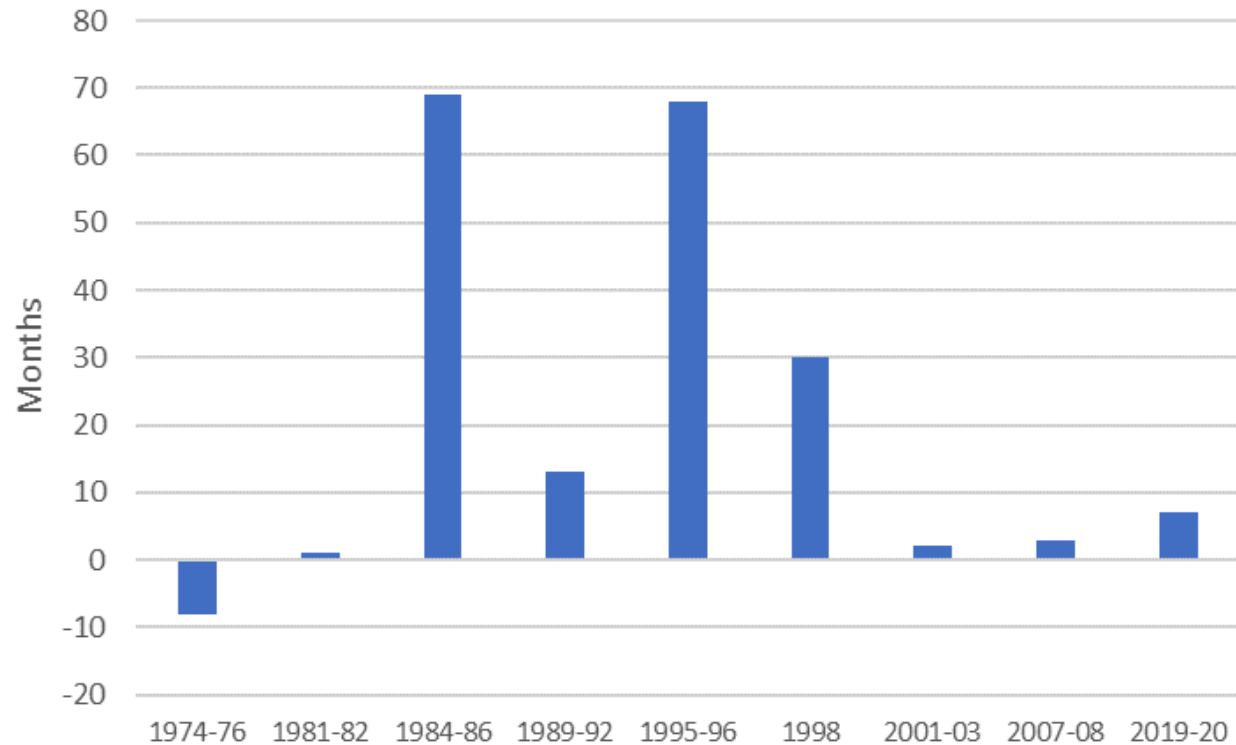
The Fed normally pivots rapidly

Time between Federal Reserve tightening and easing cycles

Source: Federal Reserve Board of Governors

The Fed generally begins cutting rates prior to recessions

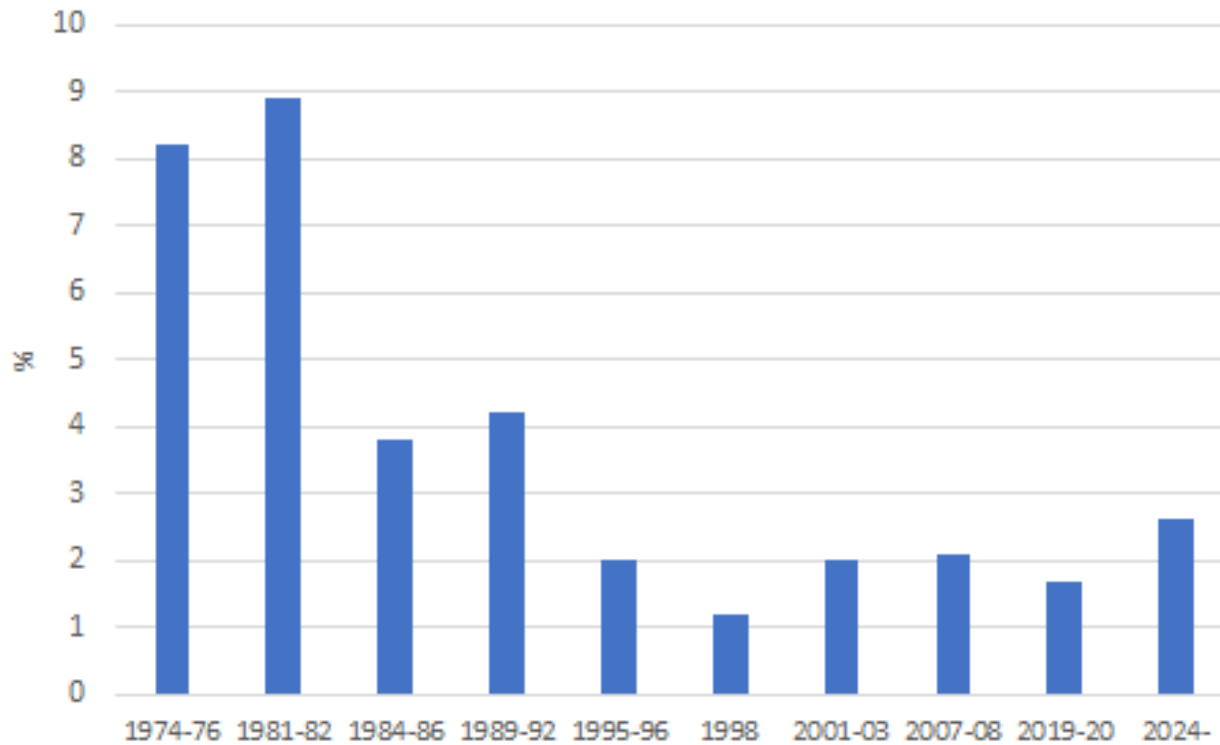Lag between the first rate cut of Fed easing cycles and the outset of recessions

Source: Federal Reserve Board of Governors

The Fed has eased amid elevated inflation

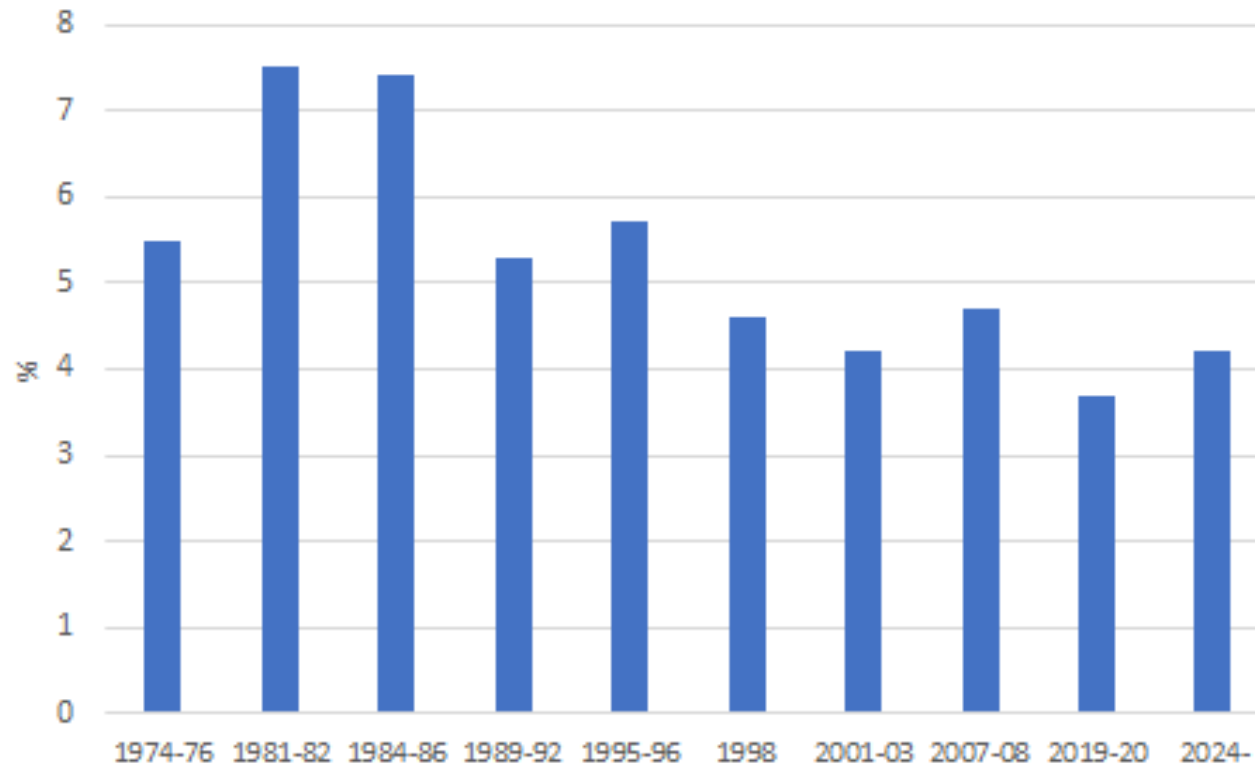The core PCE inflation rate at the outset of Federal Reserve easing cycles

The labor market is often tight at the outset of easing cycles

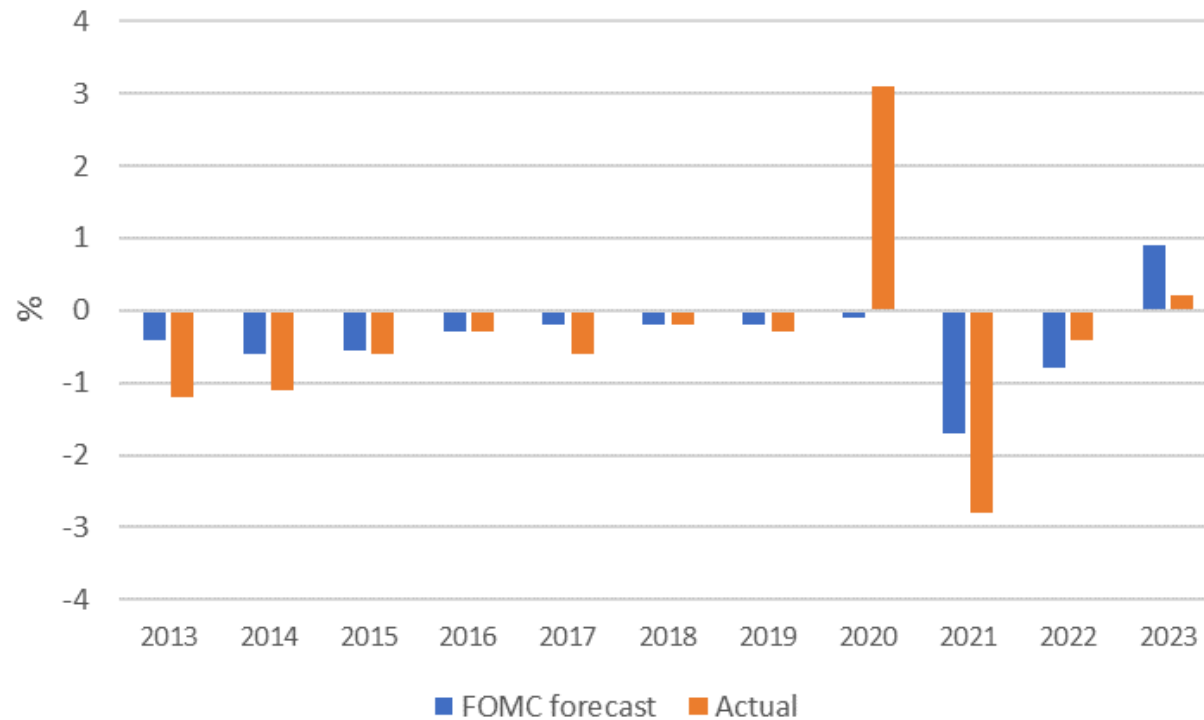The unemployment rate at the outset of Federal Reserve easing cycles

The Fed generally underestimates labor market changes

Yearly changes in the unemployment rate

Fed policy forecasts are often well off the mark

Yearly changes in the federal funds target

Legend: ■ FOMC forecast ■ Actual
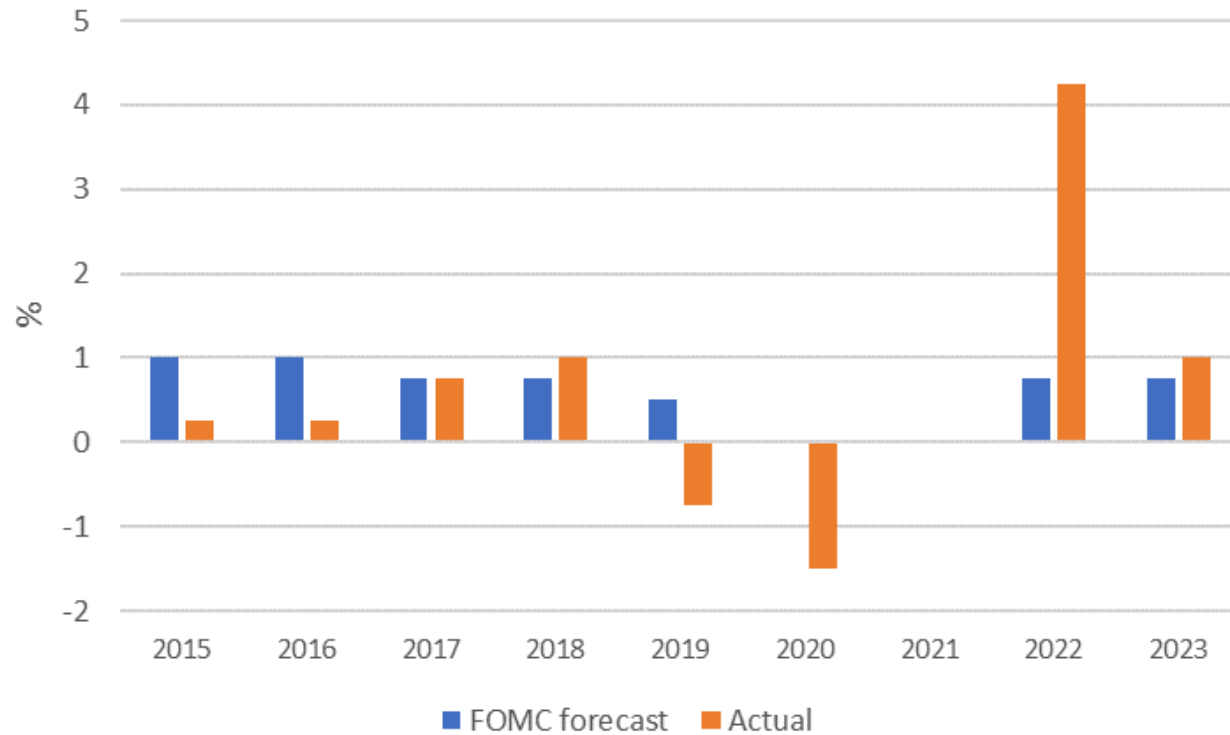
Fed forecasts improve as the year progresses

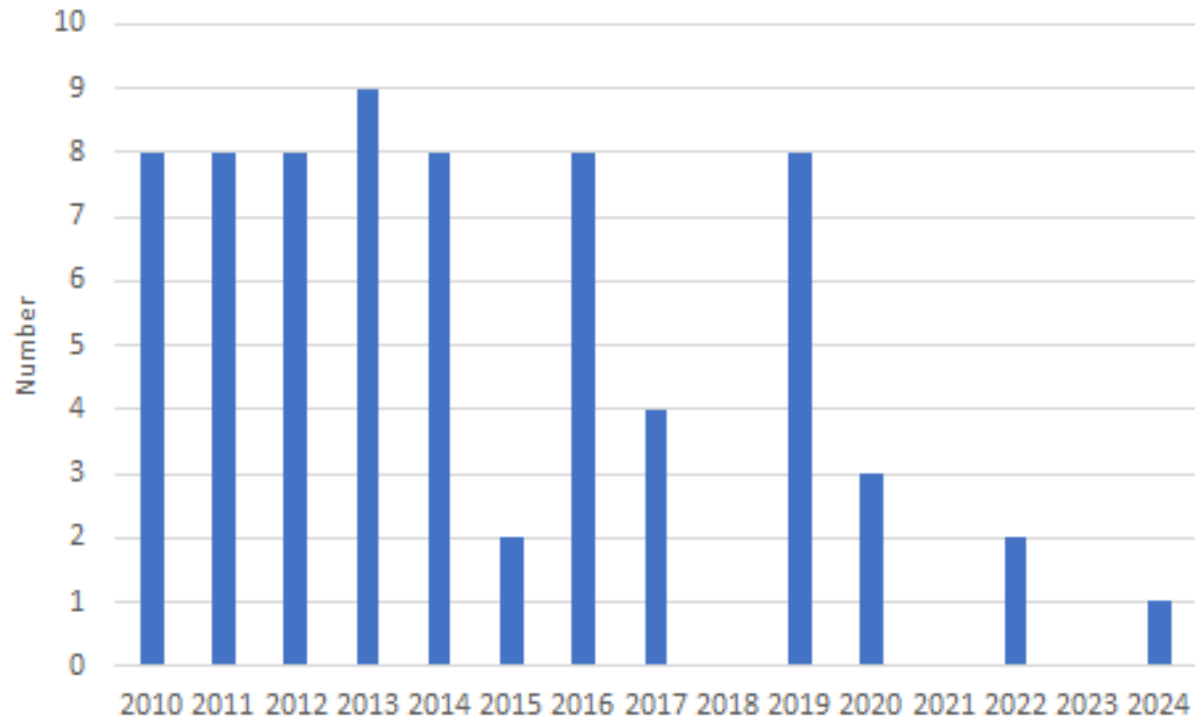Average difference between the median FOMC fed funds forecast and the year-end actual
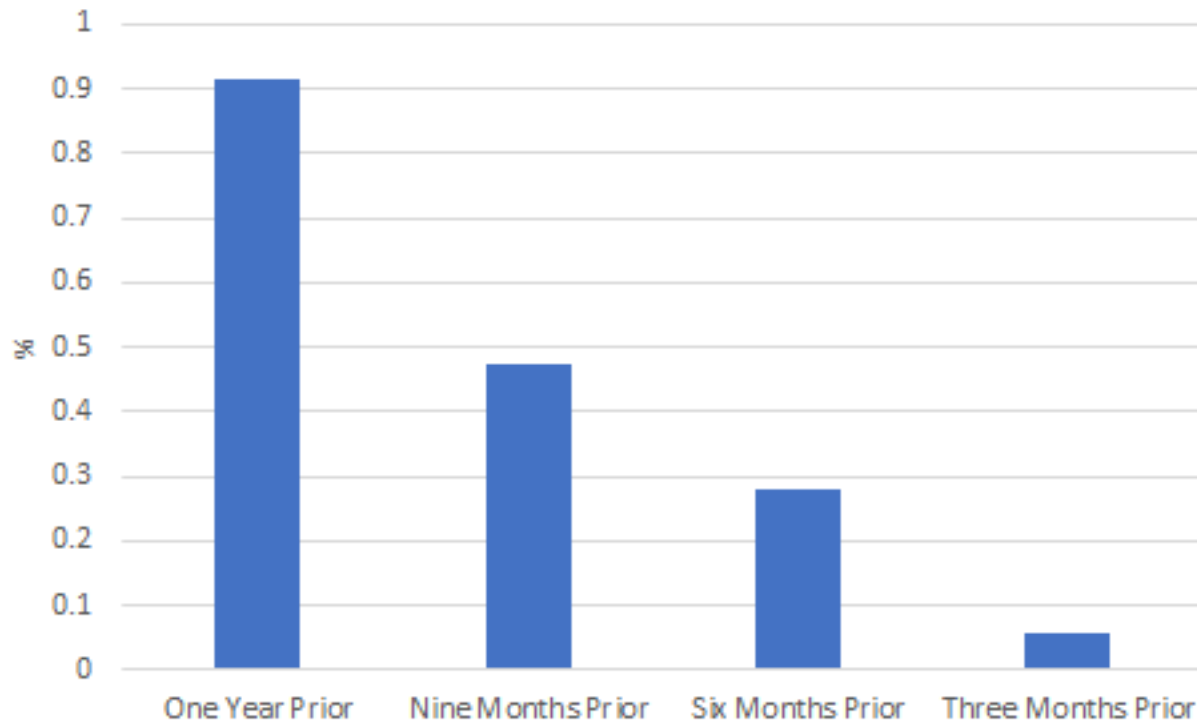
Fed officials have been increasingly aligned in recent years

Dissenting votes cast at FOMC meetings

The Fed often eases aggressively

Changes in the federal funds target in the first year of easing cycles
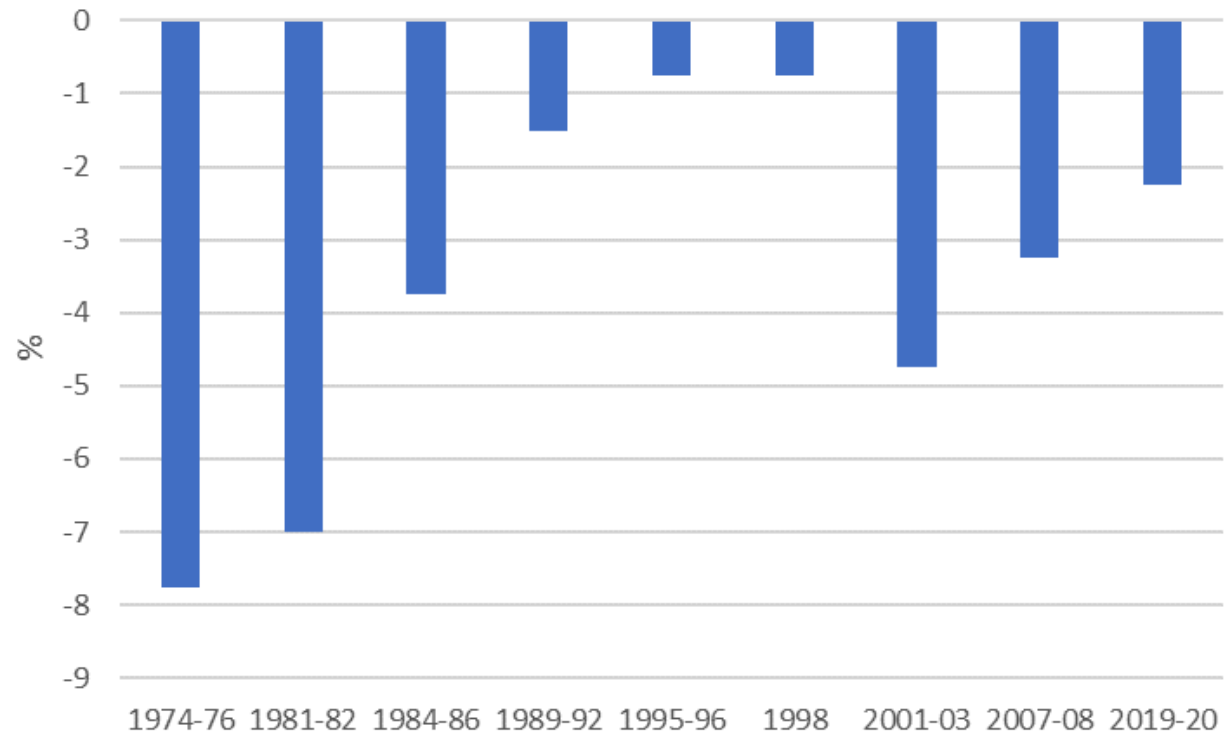
Easing cycles are front-end loaded

Share of rate cuts coming in the first year of easing cycles