MONETARY POLICY ANALYTICS

Policy Focus

June 28, 2017

Naming the 2017 and 2018 Dots from the June Meeting

In this note, we infer each FOMC participant's rate projections for 2017 and 2018 at the June 2017 meeting. We will discuss participants' views on the timing of the announcement of balance sheet reduction in a forthcoming note.

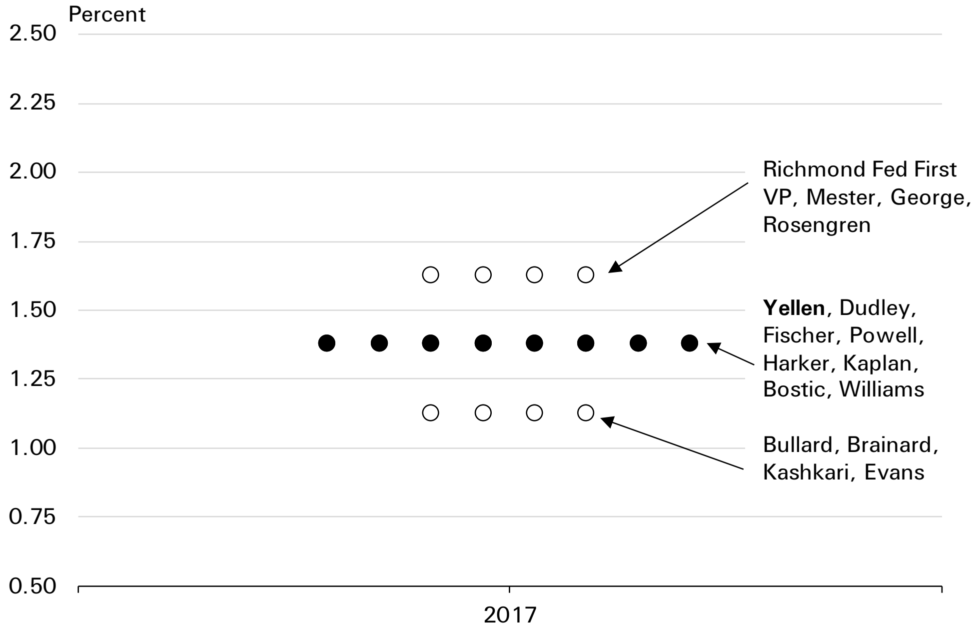
June 2017 Dots by Total Number of 2017 and 2018 Hikes Implied

Policymaker	Number of 2017 Hikes	2017 Year-End Funds Rate (Percent)	Number of 2018 Hikes	2018 Year-End Funds Rate (Percent)
Bullard	2	1.125	0	1.125
Kashkari	**2**	**1.125**	2	1.625
Brainard	**2**	**1.125**	**3**	**1.875**
Evans	**2**	**1.125**	3	1.875
Bostic	3	1.375	**3**	**2.125**
Dudley	**3**	**1.375**	**3**	**2.125**
Fischer	**3**	**1.375**	**3**	**2.125**
Powell	**3**	**1.375**	**3**	**2.125**
Yellen	**3**	**1.375**	**3**	**2.125**
Harker	**3**	**1.375**	4	2.375
Kaplan	**3**	**1.375**	4	2.375
Williams	3	1.375	**5**	**2.625**
Mester	4	1.625	**4**	**2.625**
Rosengren	4	1.625	4	2.625
George	4	1.625	4.5	2.750
Richmond First VP	4	1.625	**6**	**3.125**

Source: Monetary Policy Analytics. **Red cells denote voting status for a particular year.**

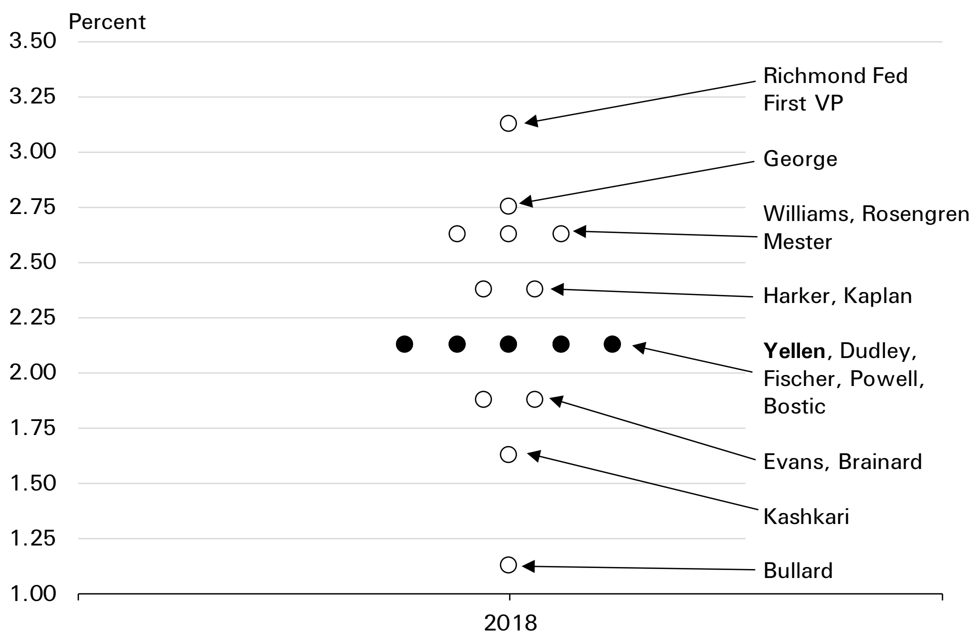
Larry Meyer **202-794-7358** larry@lhmeyer.com
Kevin Burgett **202-794-7352** kevin@lhmeyer.com
Derek Tang **202-794-7356** derek@lhmeyer.com

Figure 1
Dots for 2017 Year-End (June 2017 FOMC)



Sources: Monetary Policy Analytics, Federal Reserve. Dark dots denote the median.

Figure 2
Dots for 2018 Year-End (June 2017 FOMC)



Sources: Monetary Policy Analytics, Federal Reserve. Dark dots denote the median.

Comments by FOMC Participants on the Pace of 2017 Rate Hikes

Policymaker	Number of 2017 Hikes	Number of 2018 Hikes	Comment
Bullard	2	0	"The [June] rate increase is not such a big problem, but the projection of 200 more basis points of rate increases in this kind of environment I think is unnecessarily aggressive. And so if it had just been, you know, the rate rise at that meeting, I think I could have gone along with the chair. But the trajectory that the committee has laid out seems to me to be inappropriate given the situation that we're in." (Jun 22)
Kashkari	2	2	"We should have waited for more data to see if the recent drop in inflation is transitory…The risk of not moving soon enough generally doesn't appear to be large. If inflation does start to climb, that will actually be welcome. We will move toward our target, and I believe the FOMC will respond appropriately. And if it leads to a moderate overshoot of 2 percent, that shouldn't be concerning since we say we have a symmetric target and not a ceiling." (Jun 16)
Brainard	2	3	"I do believe that the neutral rate is very low, that we are not far at all from neutral, and I don't have a strong amount of confidence that it's going to rise rapidly from where we are today…That does carry with it a set of implications for how do we achieve our 2 percent objective, that is symmetric, and how do we achieve it on a sustainable basis." (May 30) "The flip side of the dual mandate is we really aren't seeing much progress on core inflation. If anything, in the last few months, we've seen a bit of a stalling out of core inflation. So that leaves a question. Is there a non-linearity in the Phillips Curve. Is the Phillips Curve simply no longer operative. Or is there more slack there? And that is for me a question mark. I think other members of the FOMC have to answer that for themselves. But for me I think there is still a question mark around 'are we there yet.'" (May 22)
Evans	2	3	"We can go until December and make a judgment that maybe three is the right number, maybe two is the right number. So I think we've got time." (Jun 20) "The important feature is that the current environment supports very gradual rate hikes…I think it's going to be important to see several months of markedly better inflation data." (Jun 19)
Bostic	3	3	(Bostic joined the FOMC in June 2017. We currently interpret his views as conforming closely to the median.)
Dudley	3	3	"When financial conditions ease--as has been the case recently--this can provide additional impetus for the decision to continue to remove monetary policy accommodation." (Jun 26) "I'm actually very confident that even though the expansion is relatively long in the tooth, we still have quite a long way to go…[our goal is to] tighten monetary policy very judiciously, not to stop the economic expansion, but to sustain the economic expansion over time." (Jun 19)
Fischer	3	3	"A range of indicators point to [financial stability] vulnerability that is moderate when compared with past periods." (Jun 27) "However, the increase in prices of risky assets in most asset markets over the past six months points to a notable uptick in risk appetites, although this shift has not yet led to a pickup in the pace of borrowing or a sizable rise in leverage at financial institutions." (Jun 27) "House prices are now high and rising in several countries, perhaps as a result of extended periods of low interest rates." (Jun 20) "We're feeling that way [two more hikes still appropriate], and so far haven't seen anything to change that…But we are dependent on what happens in the economy and we're not tied to three." (Apr 21)
Powell	3	3	"I would say that if the economy continues broadly on the path it's on, I can see a couple more rate increases this year which would be a total of three." (Jun 1)

Policymaker	Number of 2017 Hikes	Number of 2018 Hikes	Comment
Yellen	**3**	**3**	"[The unemployment rate is currently] below the level that most of my colleagues believe is sustainable in the long run." (Jun 27) "We've made very clear that we think it will be appropriate to the attainment of our goals to raise interest rates very gradually." (Jun 27) "What we would worry about is if it looked like inflation expectations were slipping because that could make low inflation become endemic and ingrained. So we certainly want to avoid that…[But] we don't get a consistent story [from different gauges]." (Jun 27) "Asset valuations are somewhat rich if you use some traditional metrics like price earnings ratios, but I wouldn't try to comment on appropriate valuations, and those ratios ought to depend on long-term interest rates." (Jun 27) "We continue to feel that with a strong labor market and a labor market that's continuing to strengthen, the conditions are in place for inflation to move up…But let me say, with respect to recent readings, it's important not to overreact to a few readings, and data on inflation can be noisy." (Jun 14)
Harker	**3**	4	"I still see another rate hike as appropriate for 2017, having already implemented two this year." (Jun 27)
Kaplan	**3**	4	"My own base case is two more rate hikes for the remainder of 2017. We've already done a third rate hike in March. I think that any removals of accommodation should be done gradually and patiently." (May 30)
Williams	3	**5**	"Another rate increase…makes sense this year." (Jun 26) "We are seeing some reach for yield, and some, maybe, excess risk-taking in the financial system with very low rates. As we move interest rates back to more-normal, I think that that will, people will pull back on that…I am somewhat concerned about the complacency in the market. If you look at these measures of uncertainty, like the VIX measure, or other indicators, there seems to be a priced-to-perfection attitude out there." (Jun 26) "The stock market still seems to be running very much on fumes, or is very strong in terms of that, so something that clearly is a risk to the U.S. economy, some correction there, is something that we have to be prepared for, and to respond to, if it does happen." (Jun 26) "If we delay too long, the economy will eventually overheat, causing inflation or some other problem. At some point, that would put us in the position of having to quickly reverse course to slow the economy. That risks stalling the expansion and setting us back into recession." (Jun 26) According to multiple press reports, Williams said in a press briefing that three hikes in 2017 is the baseline, but if the economy strengthens, then four hikes would be appropriate. (May 31)
Mester	4	**4**	"I don't [believe in the idea of] 'Let's just wait and see what happens and then raise interest rates.' That's not a good way of going about it. I'm very comfortable with this upward path…The risk of moving too late poses some risk to the economy. That's why I continue to say where I am on policy, which is this gradual upward path. I think we're on it." (May 8) "[I assumed] a bit more than three [hikes for 2017.]" (Mar 21)
Rosengren	4	4	"If we were to get a lot more stimulus, that would cause us probably to raise rates a little more quickly." (May 10) "While I am certainly not expecting such [an overheating] scenario to occur, central bankers are charged with thinking about adverse risks to the economy." (May 9) "I am a little worried that we need to take away the accommodation. I want to continue to be doing it gradually." (May 5) "[Four hikes in 2017] could and should be the committee's default." (Mar 29)
George	4	4.5	"Past episodes to push unemployment lower than its longer-run level have ended in recession, and for that reason, adjusting policy to ensure the economy remains on a sustainable growth trajectory is of paramount importance." (May 9) "Some argue there is scope to let inflation drift above 2 percent for a time, particularly if it would help anchor expectations more firmly around 2 percent. I have not yet found this argument compelling." (May 9) "Policy cannot move too gradually. Postponing the removal of accommodation when the economy is at full employment and inflation near 2 percent poses risks to longer-run economic and financial stability. Moving too slowly carries the risk of pushing the unemployment rate below its sustainable rate and inviting recession as history shows. Failing to keep interest rates in line with improving fundamentals also can distort the allocation of capital toward less fruitful, or perhaps excessively risky, endeavors." (May 9)

Policymaker	Number of 2017 Hikes	Number of 2018 Hikes	Comment
Richmond Fed First VP	4	**6**	(In the wake of Lacker's resignation on April 4, the Richmond Fed First Vice President is attending FOMC meetings. We see the views of the Richmond Fed as hawkish.)

Source: Monetary Policy Analytics. **Red cells denote voting status for a particular year.** *Note that some comments selected originate from before the most recent intermeeting period, and before some of the recent negative inflation surprises.*

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Larry Meyer
202-794-7358
larry@lhmeyer.com

Jacqueline Dolson
202-794-7357
jacqueline@lhmeyer.com

Matt Peterson
703-965-6568
matt@lhmeyer.com

lhmeyer.com