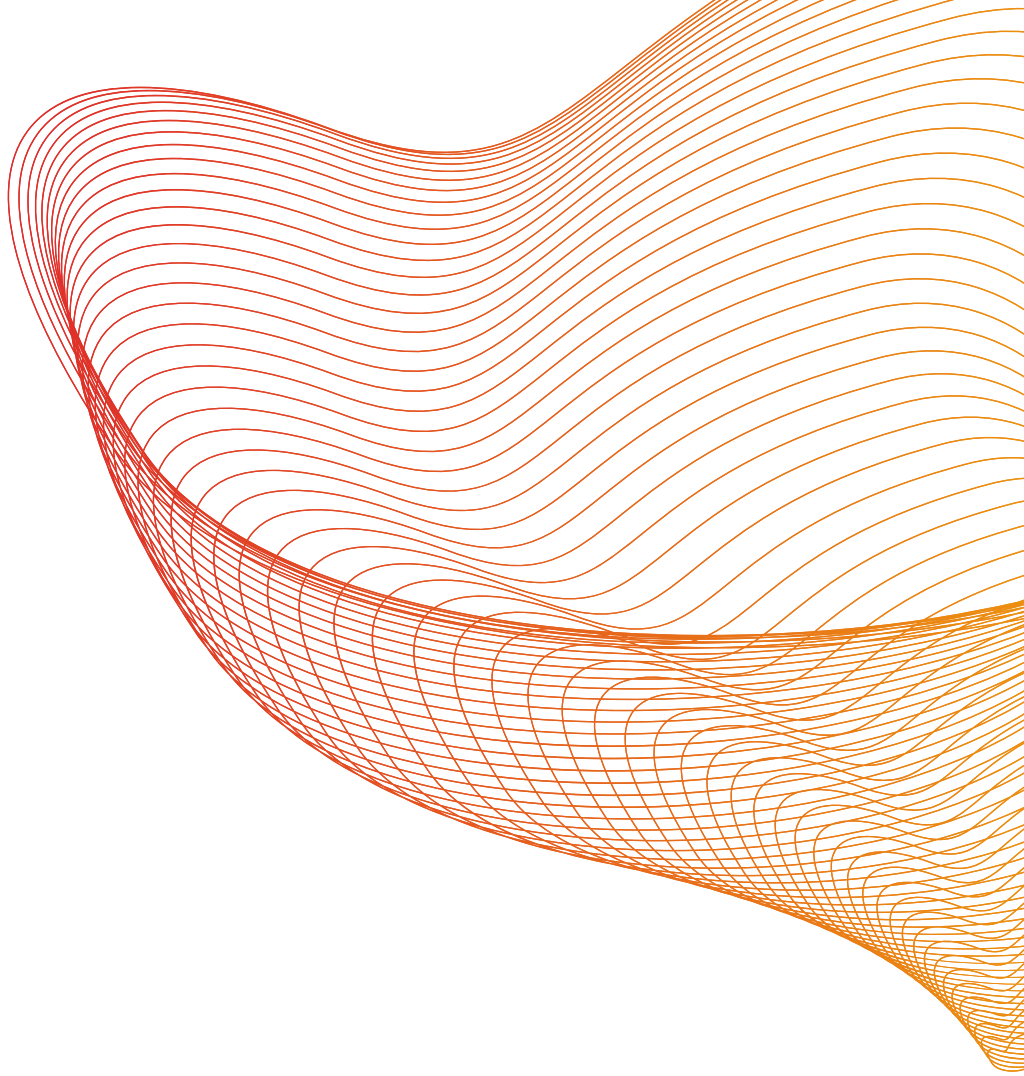


CFI Fed Deck

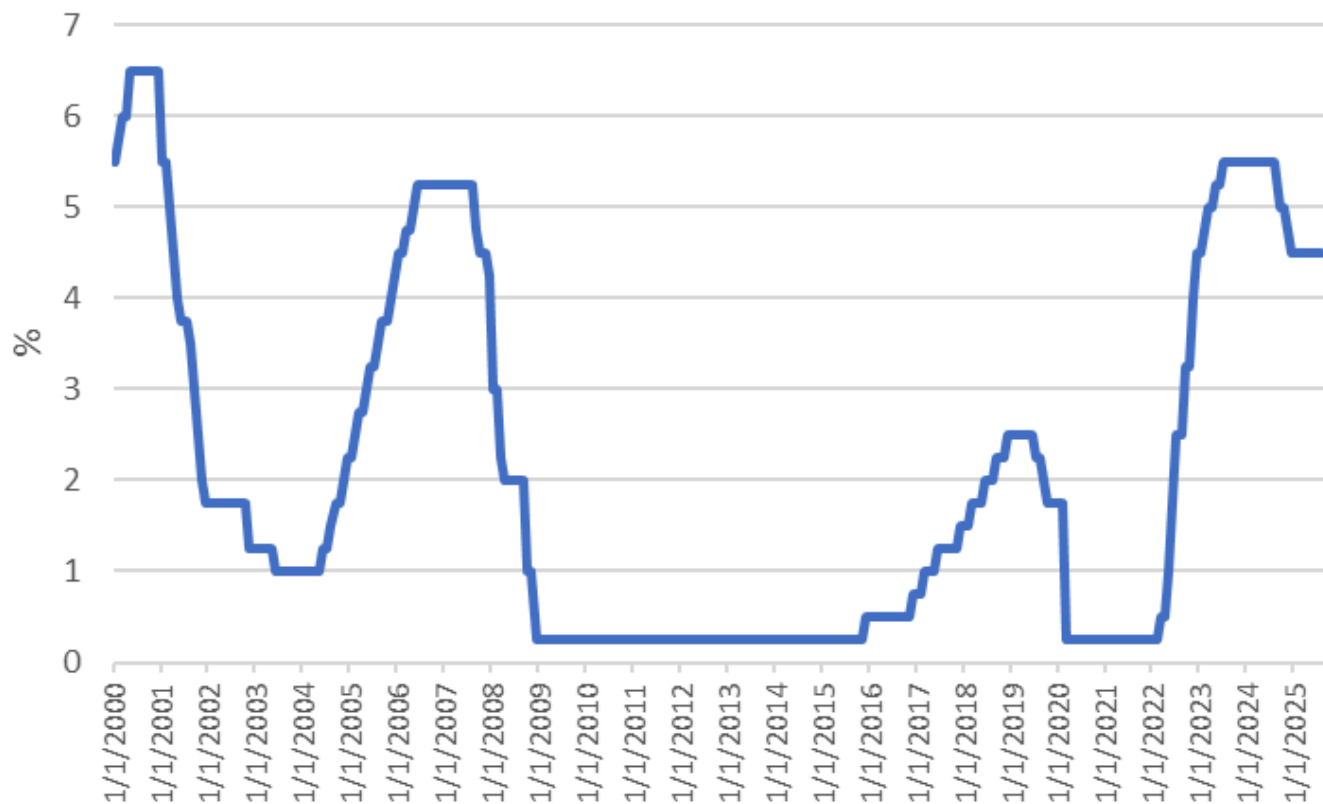
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August 2025



The Fed has been on hold in recent months

The federal funds target



Source: Federal Reserve Board of Governors

Real rates are elevated

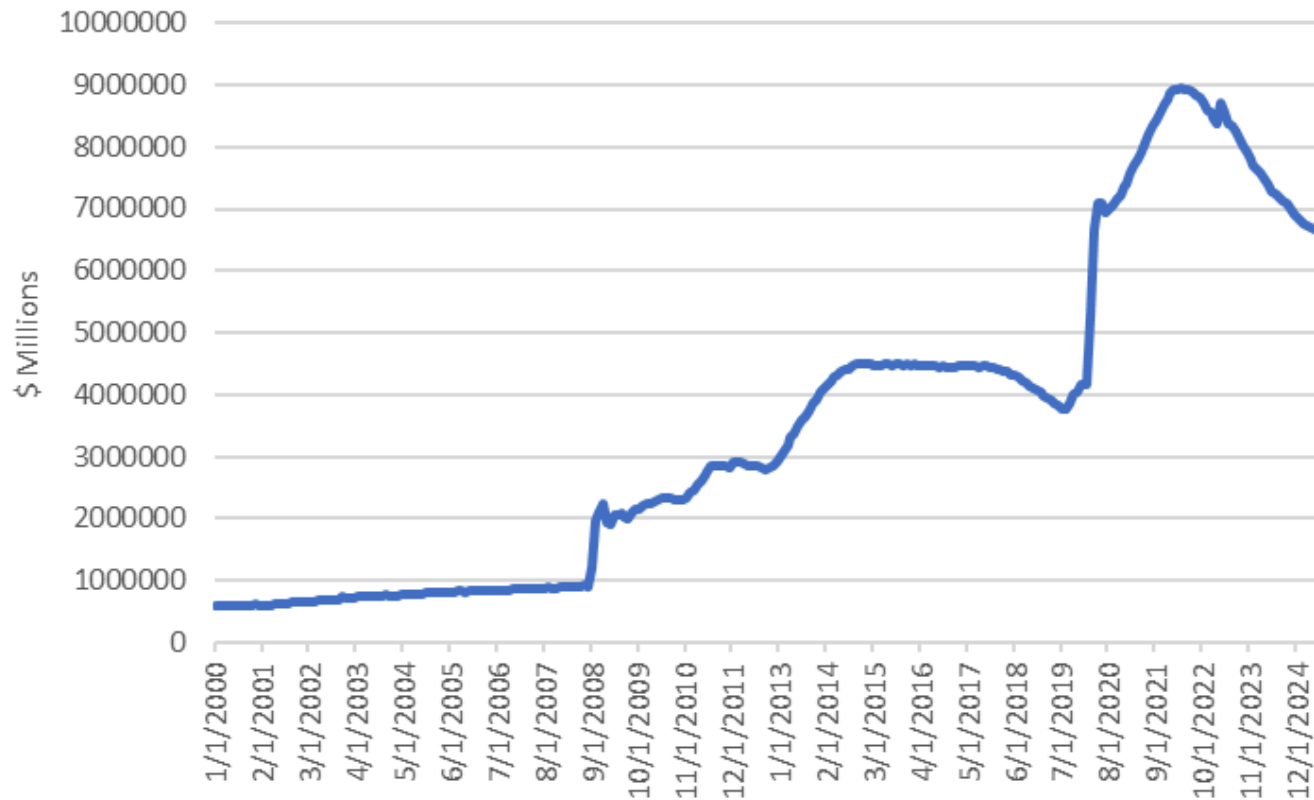
The real federal funds target



Source: Federal Reserve Board of Governors, Bureau of Economic Analysis

The Fed balance sheet is shrinking slowly

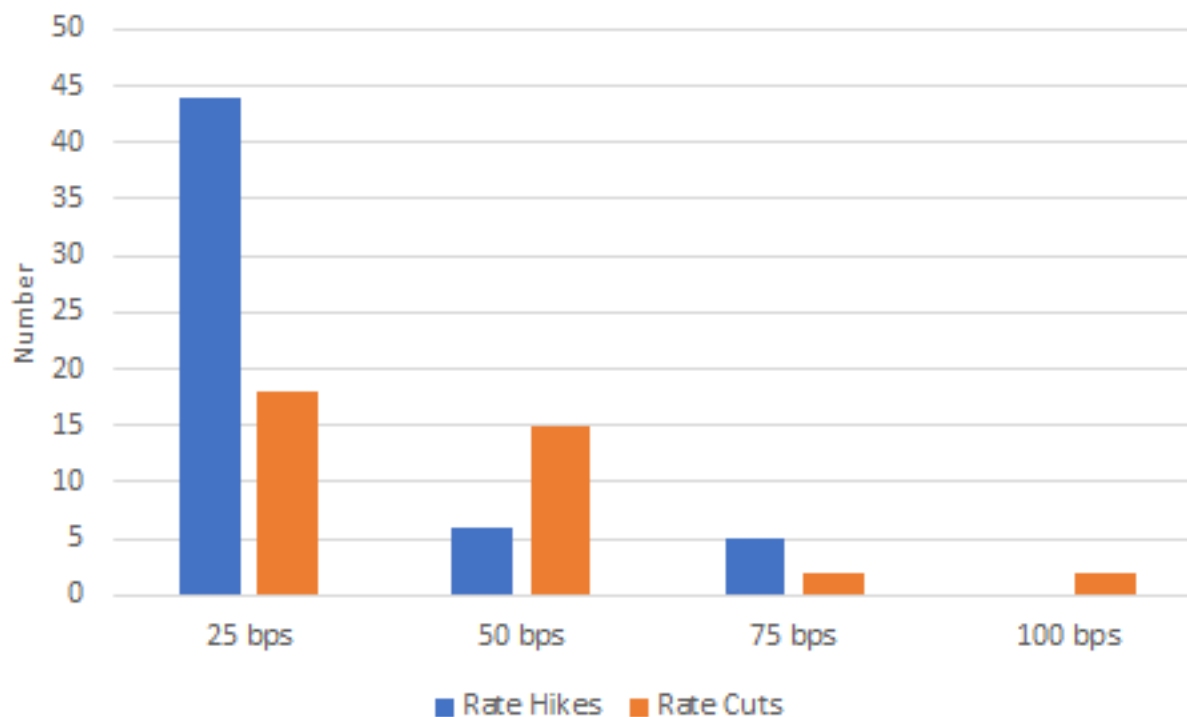
Assets on the Federal Reserve balance sheet



Source: Federal Reserve Board of Governors

Rate cuts are often aggressive

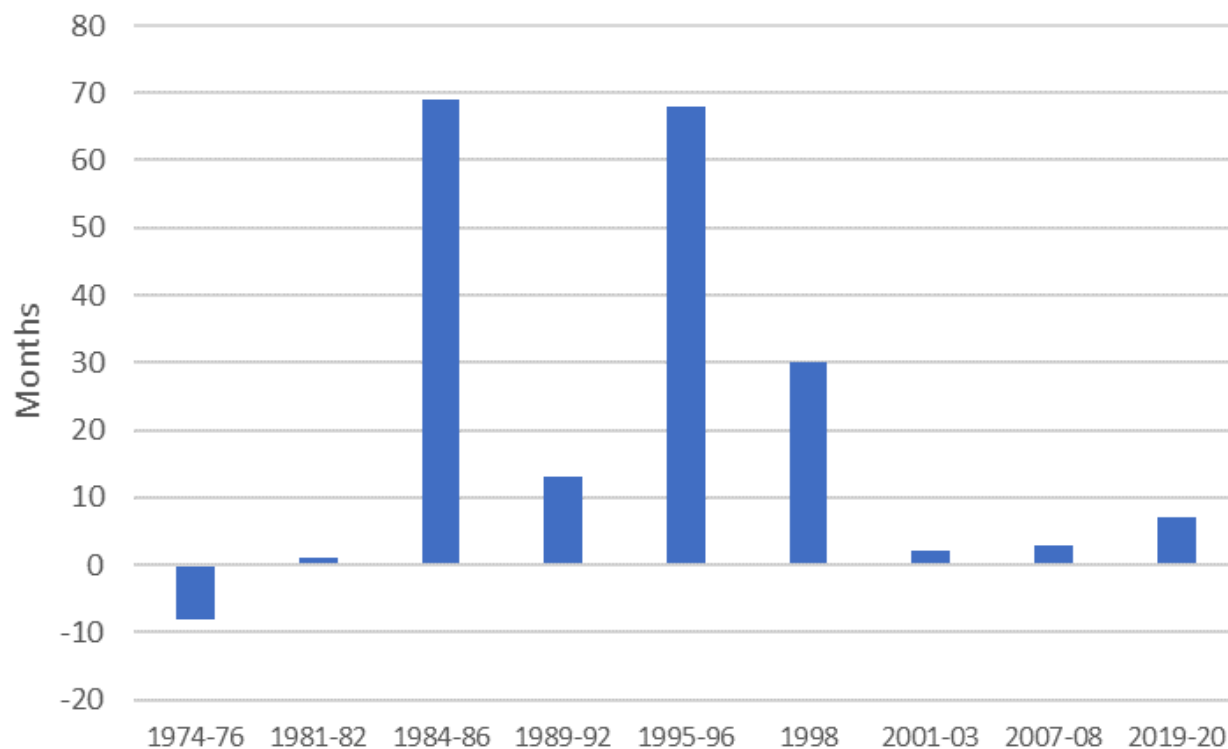
Magnitude of changes in the federal funds target, 1994-present



Source: Federal Reserve Board of Governors

The Fed generally begins cutting rates prior to recessions

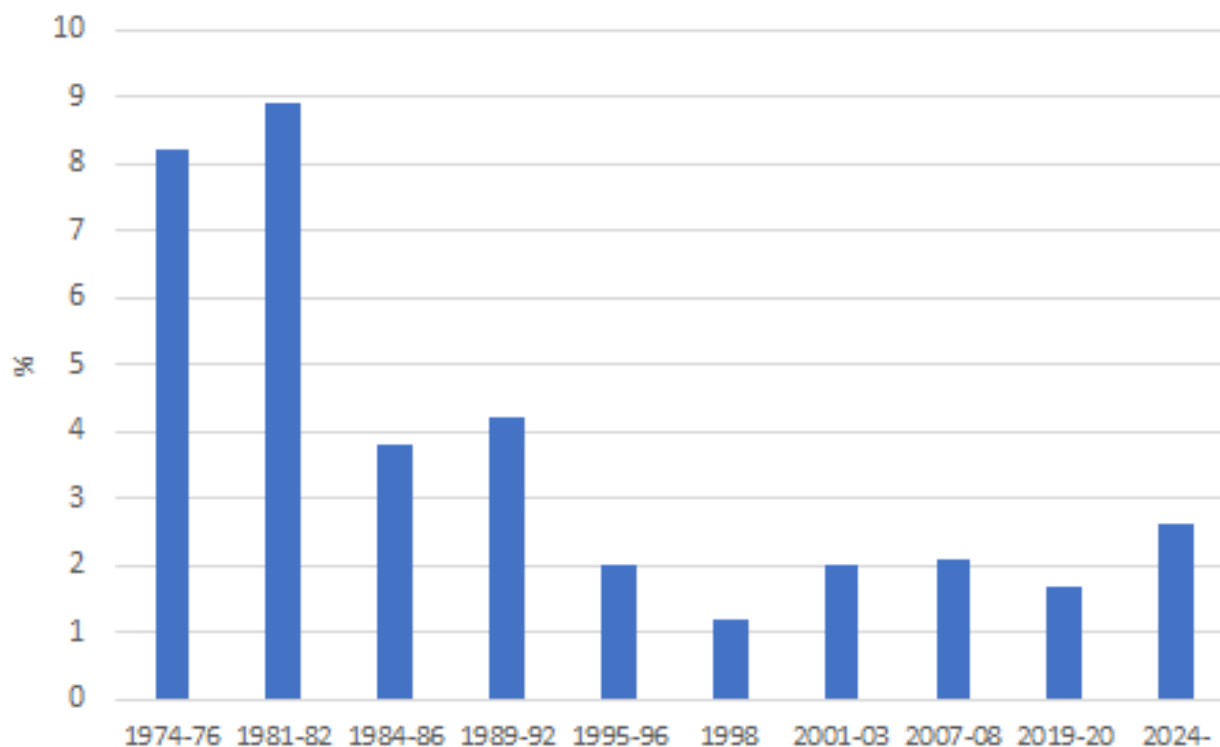
Lag between the first rate cut of Fed easing cycles and the outset of recessions



Source: Federal Reserve Board of Governors

The Fed has eased amid elevated inflation

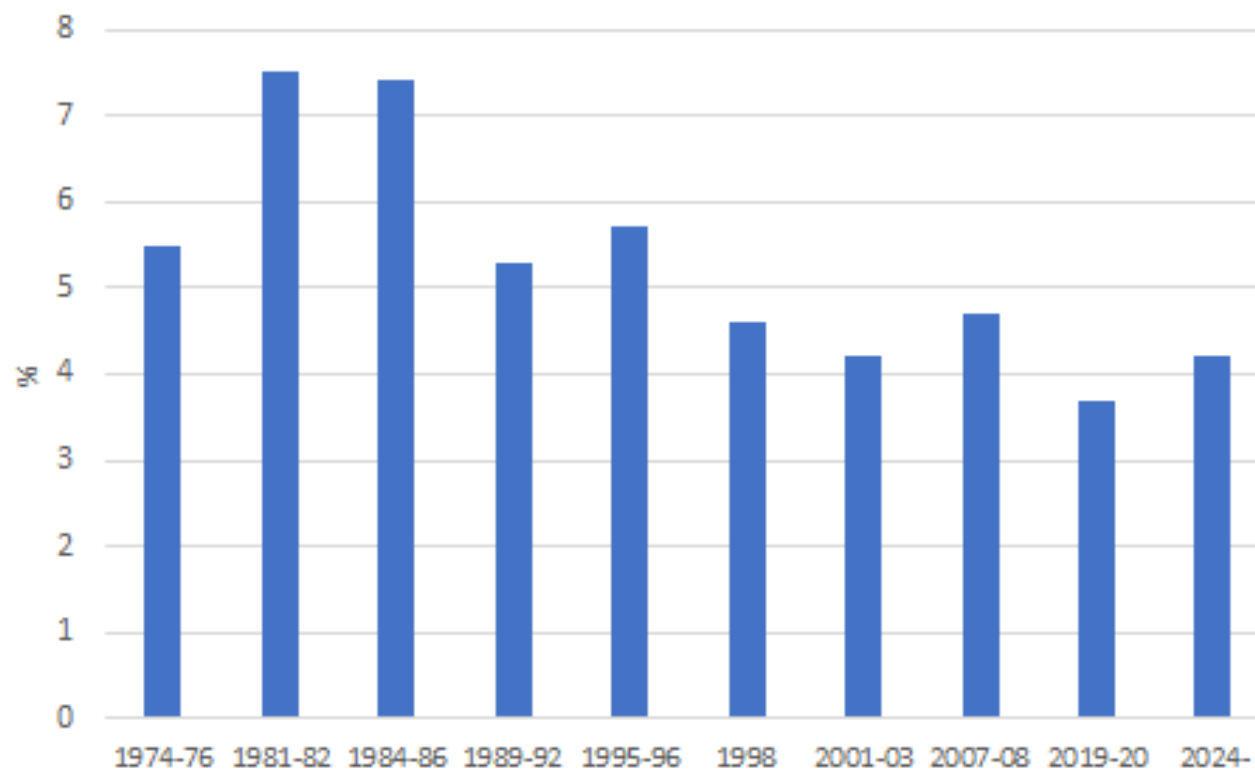
The core PCE inflation rate at the outset of Federal Reserve easing cycles



Source: Bureau of Economic Analysis

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

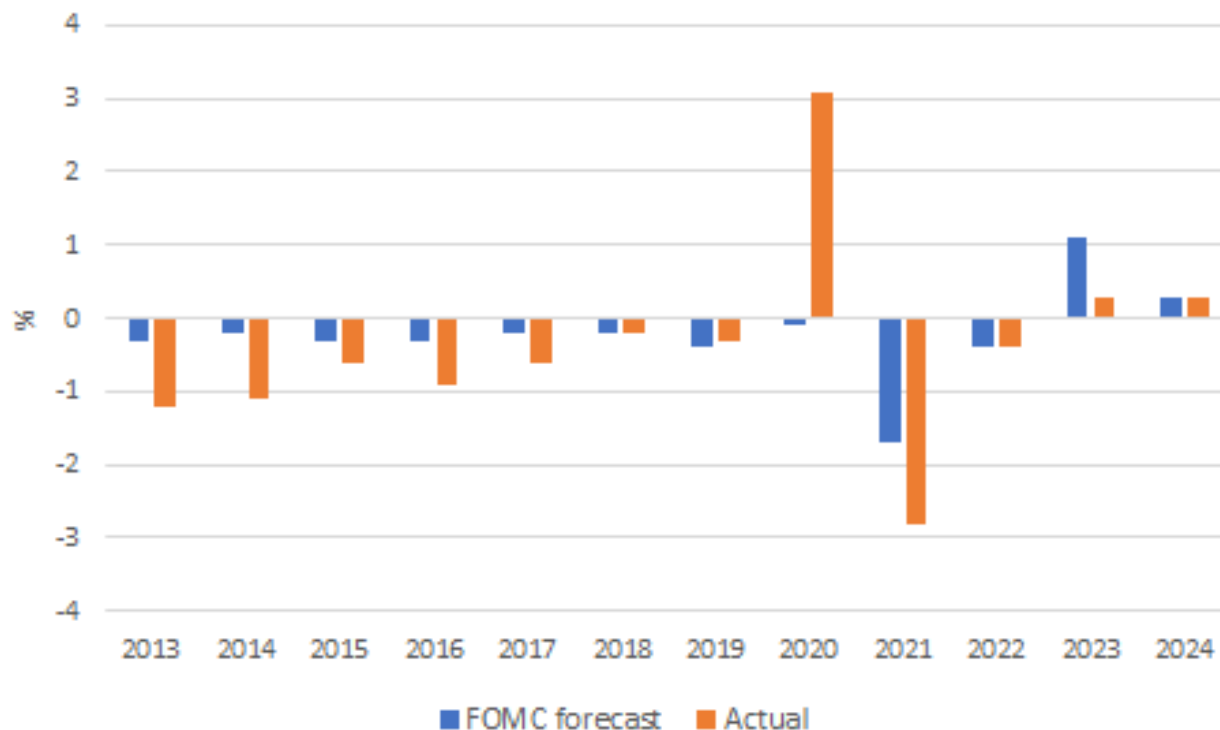
The unemployment rate at the outset of Federal Reserve easing cycles



Source: Bureau of Labor Statistics

The Fed generally underestimates labor market changes

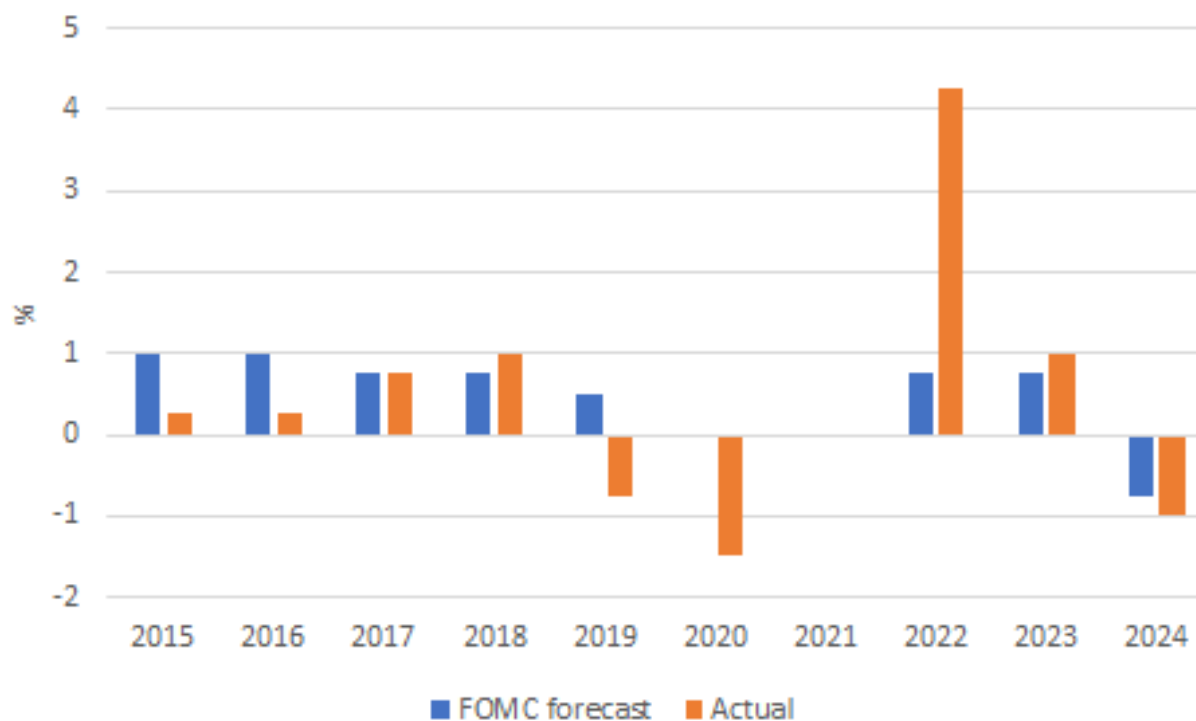
Yearly changes in the unemployment rate



Source: Federal Reserve Board of Governors, Bureau of Labor Statistics

Fed policy forecasts are often well off the mark

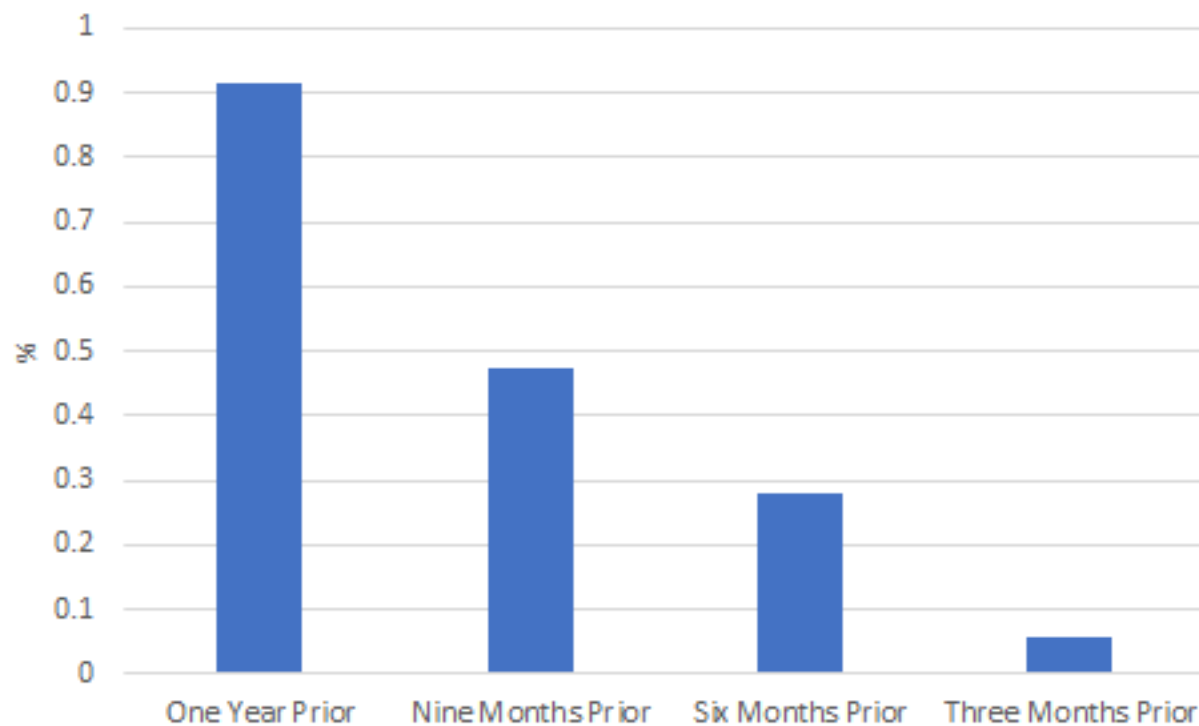
Yearly changes in the federal funds target



Source: Federal Reserve Board of Governors

Fed forecasts improve as the year progresses

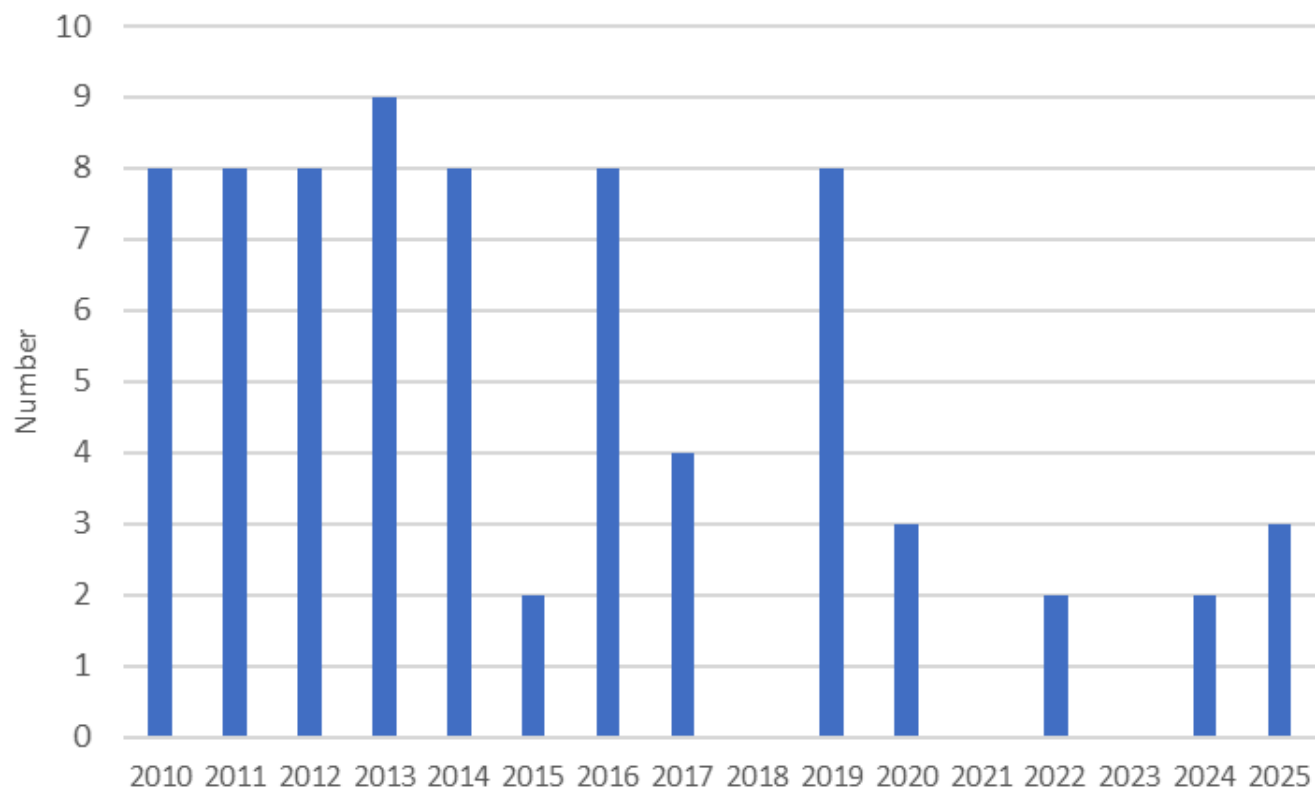
Average difference between the median FOMC fed funds forecast and the year-end actual



Source: Federal Reserve Board of Governors

Fed officials had been aligned in recent years

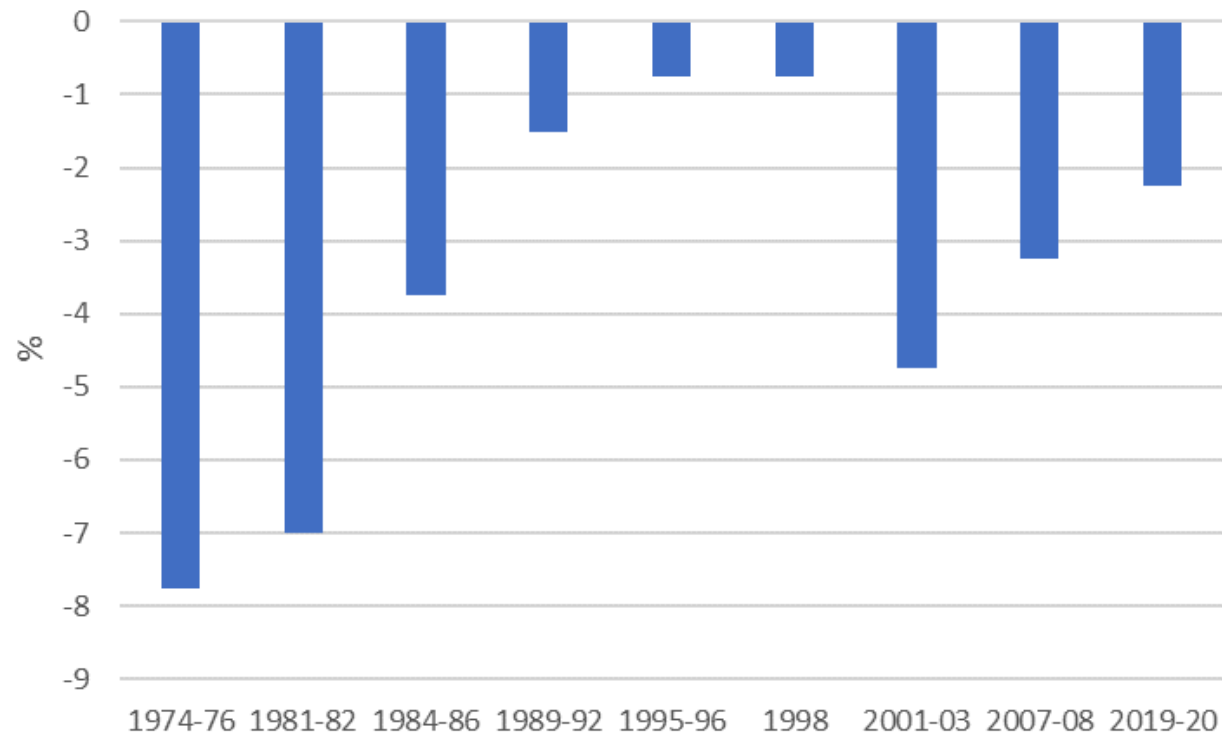
Dissenting votes cast at FOMC meetings



Source: Federal Reserve Board of Governors

The Fed often eases aggressively

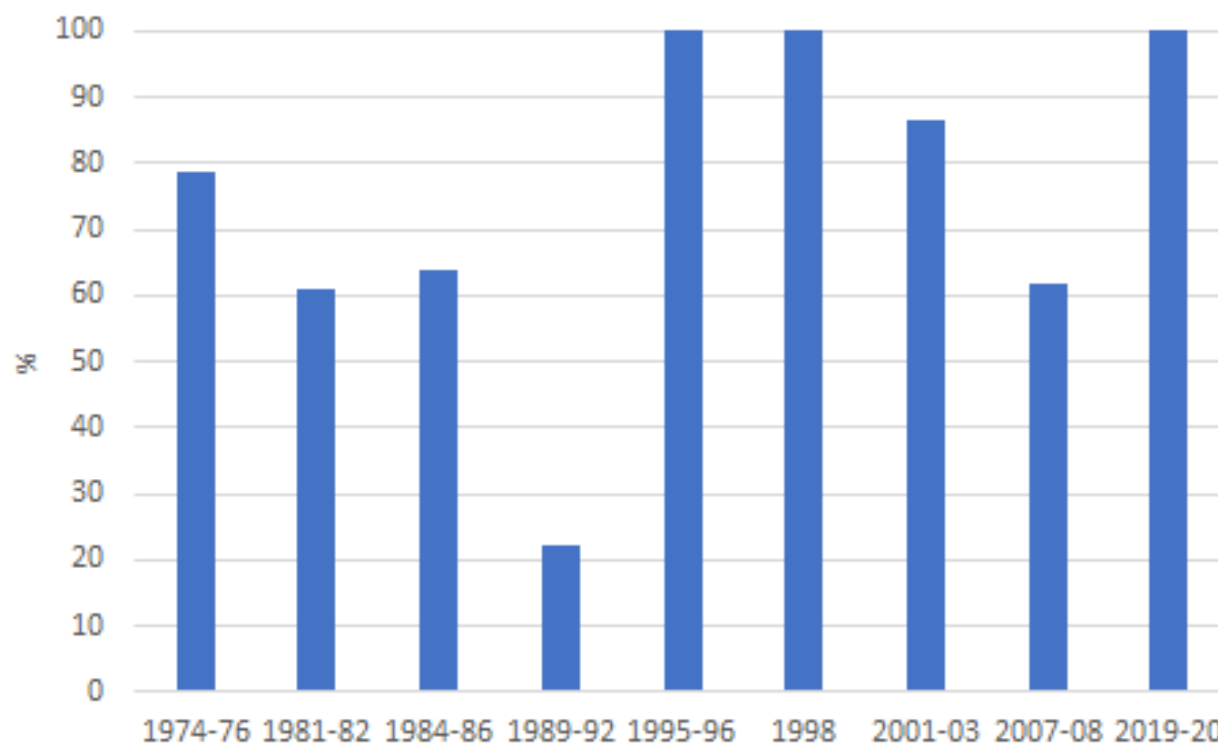
Changes in the federal funds target in the first year of easing cycles



Source: Federal Reserve Board of Governors

Easing cycles are front-end loaded

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



Source: Federal Reserve Board of Governors