



Joint Economic Committee

Republicans

Representative David Schweikert • Vice Chairman

Nov 1, 2023 FOMC Announcement

Republican Staff Commentary

KEY TAKEAWAYS

At 2pm, the FOMC (Federal Open Market Committee) [announced](#) that it:

- Left the target range for overnight rates at 5.25-5.50%, as widely expected.
- Continues to passively reduce its holdings of Treasuries and mortgage bonds.
- Notes that “inflation remains elevated” and it is “highly attentive to inflation risks.”

Market pricing suggests that the Fed will hold rates at current levels until Jun or Jul 2024. However, it’s unclear if monetary and fiscal policy are tight enough to return inflation to 2%.

- [Analysis](#) from Holtz-Eakin (AAF President and former CBO Director) suggests that real fed funds rate is still below 2%. (“Real” means adjusted for expected inflation.)
- Conversely, Prof. Hendrickson at U. Miss [notes on X](#) that one measure of the money supply (“Divisia M2”) is down 6.1% y/y in Sep. [Other measures](#) are down, but by less.

CENTRAL BANK ROUNDUP

[Bank of Russia](#): Met last week. Citing rising inflation and a weakening exchange rate, it hiked its key rate by 2 percentage points to 15%. Q3 inflation was 12.1% vs. 5.1% in Q2. (These figures are SAAR, see legend.) The exchange rate in Oct averaged 96.68 rubles per dollar.

[European Central Bank](#): Met last week. No change to its three key policy rates, the lowest of which is 4%. The preliminary estimate suggests that eurozone inflation fell to 2.9% y/y in Oct, down from 4.3% y/y in Sep and seemingly falling towards the ECB’s 2% annual target.

[Bank of Japan](#): Met Monday. No change to -0.1% overnight rate target despite CPI inflation at 3% y/y, well above its 2% annual target. Inflation is putting upward pressure on long-term bond yields. BoJ [aims](#) for a 10Y bond yield of 0% but the yield is currently trading near 1%.

[Bank of England](#): Meets tomorrow. In a surprise 5-4 decision, it paused its rate hikes in Sep. With inflation at 6.7% y/y but seemingly falling towards its 2% annual target, market pricing implies that keep overnight rates at 5.25%. UK [PMI data](#) shows softening economic growth.

LABOR MARKET UPDATE

Ahead of the BLS jobs report on Friday, ADP [estimates](#) that the U.S. added 113k private jobs in Oct. The BLS ECI (employment cost index) [showed](#) that pay rose by 4.3% y/y. The BLS JOLTS [notes](#) that there remains about 1.5 job openings per unemployed worker.

The JEC macro model forecasts that the U.S. economy added 207k nonfarm jobs in Oct.

UPCOMING TREASURY AUCTIONS

Next week, Treasury will auction a 3Y note, a 7Y note, and a 30Y bond. In line w/ its Quarterly Refunding [announcements](#), it is increasing the auction sizes for all three securities. Treasury expects to borrow \$776B in privately-held net marketable debt in Q4 and \$816 in Q1 2024.

A back-of-the-envelope calculation suggests that debt held by the public will increase by about \$1.8 trillion in FY2024. This projection uses CBO's baseline as a starting point. It incorporates rising interest costs and slowing revenues b/c of the rise in the 10Y yield.

Q4 GDP

The Atlanta Fed's [nowcast](#) shows the U.S. economy growing at 1.2% in Q4 2023.

Econ Calendar

Date	Time (ET)	Release
Nov 03	08:30AM	Employment Situation Report
Nov 14	08:30AM	Consumer Price Index JEC State Inflation Tracker
Nov 17	10:00AM	State-level Unemployment
Nov 30	08:30AM	Personal Income and Outlays
Dec 13	02:00PM	Federal Reserve Announcement
	02:30PM	Fed Chairman Powell Presser

Legend

m/m = month over month; q/q = quarter over year; y/y = year over year
SA = seasonally adjusted; SAAR = seasonally adjusted annual rate
% = percentage points; bps = basis points (1/100ths of a %)