



Economic Forecasts, Interest Rates and Current Hot Topics

Deborah M. Higgins

debbie@higginscapital.com



January 15, 2020

SF Fed's Monetary Policy Game

- Let's play: [Chair the Fed](#)
 - Our job is to set monetary policy to achieve full employment and low price inflation
 - Adjust Fed funds rate to keep economy on track
 - Watch:
 - Unemployment-Keep at 5%
 - Inflation-Keep near Fed's 2% inflation target

Economic Forecasting

- Economic forecasting is the process of attempting to predict the economy's future using widely followed indicators along with economists' personal judgement based on recent economic events

Importance of Economic Forecasting

- Governments, banks/central banks, business managers, consultants and investment managers all use economic forecasts.
 - Determine fiscal and monetary policies
 - Determine both short and long-term strategies
 - Determine budgets and future operating activities
 - Determine investment strategy by evaluating companies and their sectors

Top 10 Economic Indicators (Macroeconomics)

- Real GDP
- M2 (money supply)
- Consumer Price Index (CPI)
- Producer Price Index (PPI)
- Consumer Confidence Survey
- Current Employment Statistics (CES)
- Retail Sales & Food Services Sales
- Housing Starts
- Manufacturing & Trade Inventories & Sales
- S&P 500 Stock Index

Top 5 Economic Indicators

- GDP
- Employment Indicators
- Consumer Price Index (CPI)
- Central Bank Minutes
- PMI Manufacturing & Services

Top 3 Economic Indicators

- Inflation
- **GDP**
- Labor Market Data

Sources for Economic Data

- Federal Reserve Bank of Saint Louis-**FRED**
- Federal Reserve Bank of Philadelphia-Survey of Professional Forecasters
- Federal Reserve Bank *of* New York-Economic Indicators Calendar
- Wall Street Journal (WSJ)-Paid Digital Subscription
- Bloomberg (ECN)-Paid Service

FRED: Federal Reserve Bank of Saint Louis

The screenshot displays the FRED website interface. At the top, there is a browser address bar with the URL <https://fred.stlouisfed.org/> and a search bar. The main header features the FRED logo and the text "ECONOMIC RESEARCH FEDERAL RESERVE BANK OF ST. LOUIS". A navigation menu includes links for "FRED Economic Data", "Information Services", "Publications", "Working Papers", "Economists", and "About". A "MY ACCOUNT" dropdown menu is visible in the top right corner.

The main content area features a large search bar with the placeholder text "Search FRED data e.g., gdp, inflation, unemployment" and a search icon. Below the search bar, there are links to "Browse data by Tag, Category, Release, Source, Release Calendar or Get Help".

On the left side, there are sections for "FRED News" and "FRED Blog". A red arrow points to the "FRED Blog" section, which includes the article "Is the decline in manufacturing economically 'normal?'". Below this, there is a "Research News" section with the article "Classic Cars on the Road".

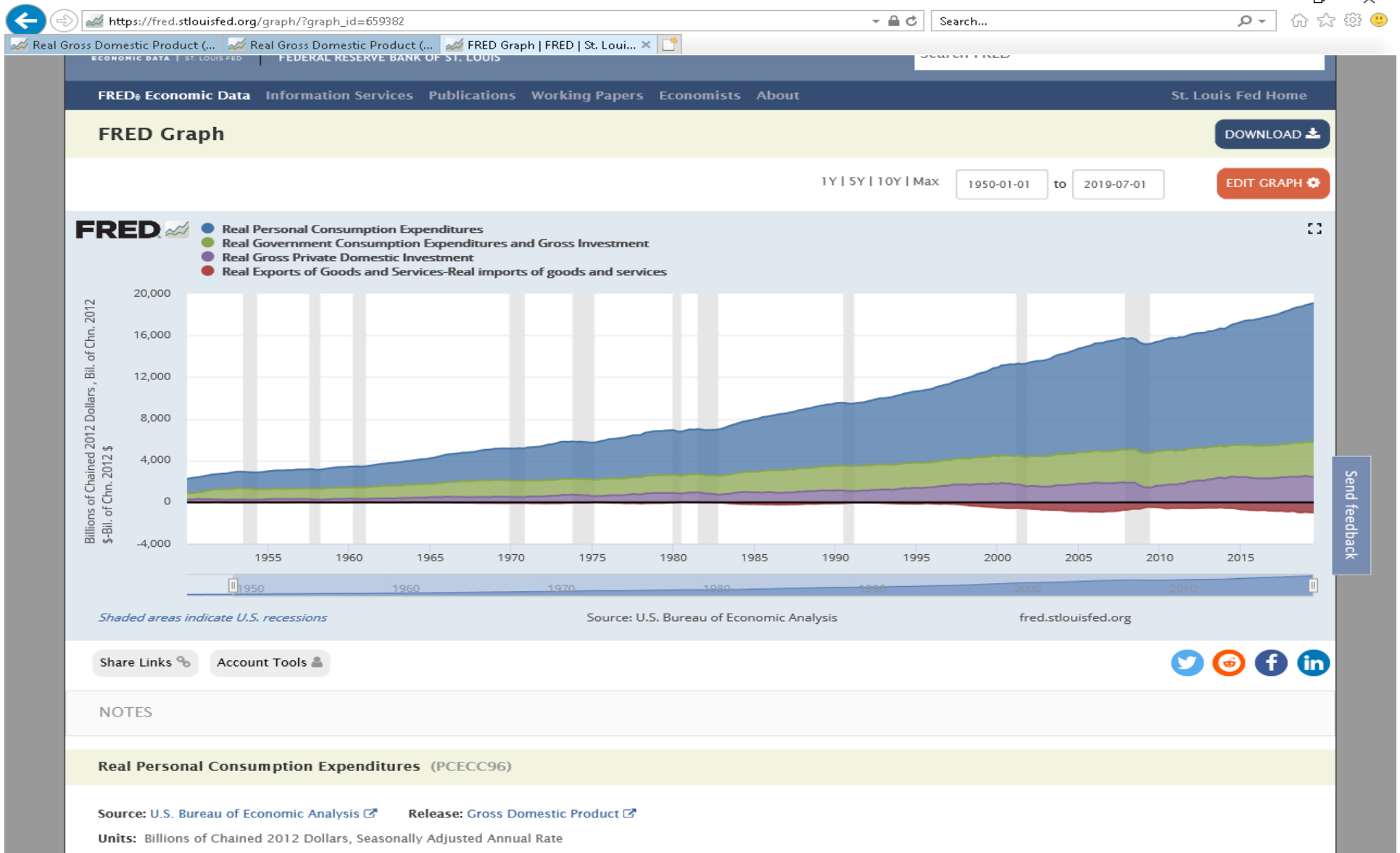
On the right side, there is a promotional box for "Get FRED data directly in Excel®" with the text "One-click instant download with the FRED Add-in for Microsoft® Excel®." and a small image of the Excel add-in interface.

At the bottom, there is a navigation bar with tabs for "AT A GLANCE", "POPULAR SERIES", "LATEST RELEASES", "TOOLS", and "NEED HELP?". Below this, there are two columns of data series, each with a small line graph and an up/down arrow. The series include:

- 10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity (7 minutes ago)
- Effective Federal Funds Rate (Dec 2)
- 10-Year Treasury Constant Maturity Minus 3-Month Treasury Constant Maturity (7 minutes ago)
- 10-Year Treasury Constant Maturity Rate
- Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (Dec 11)
- Real Gross Domestic Product (Dec 20)
- ICE BofAML US High Yield Master II Option-Adjusted Spread (8 hours ago)
- Assets: Total Assets: Total Assets (Less Eliminations From Consolidation): Wednesday Level

A "Send feedback" button is located on the right side of the page.

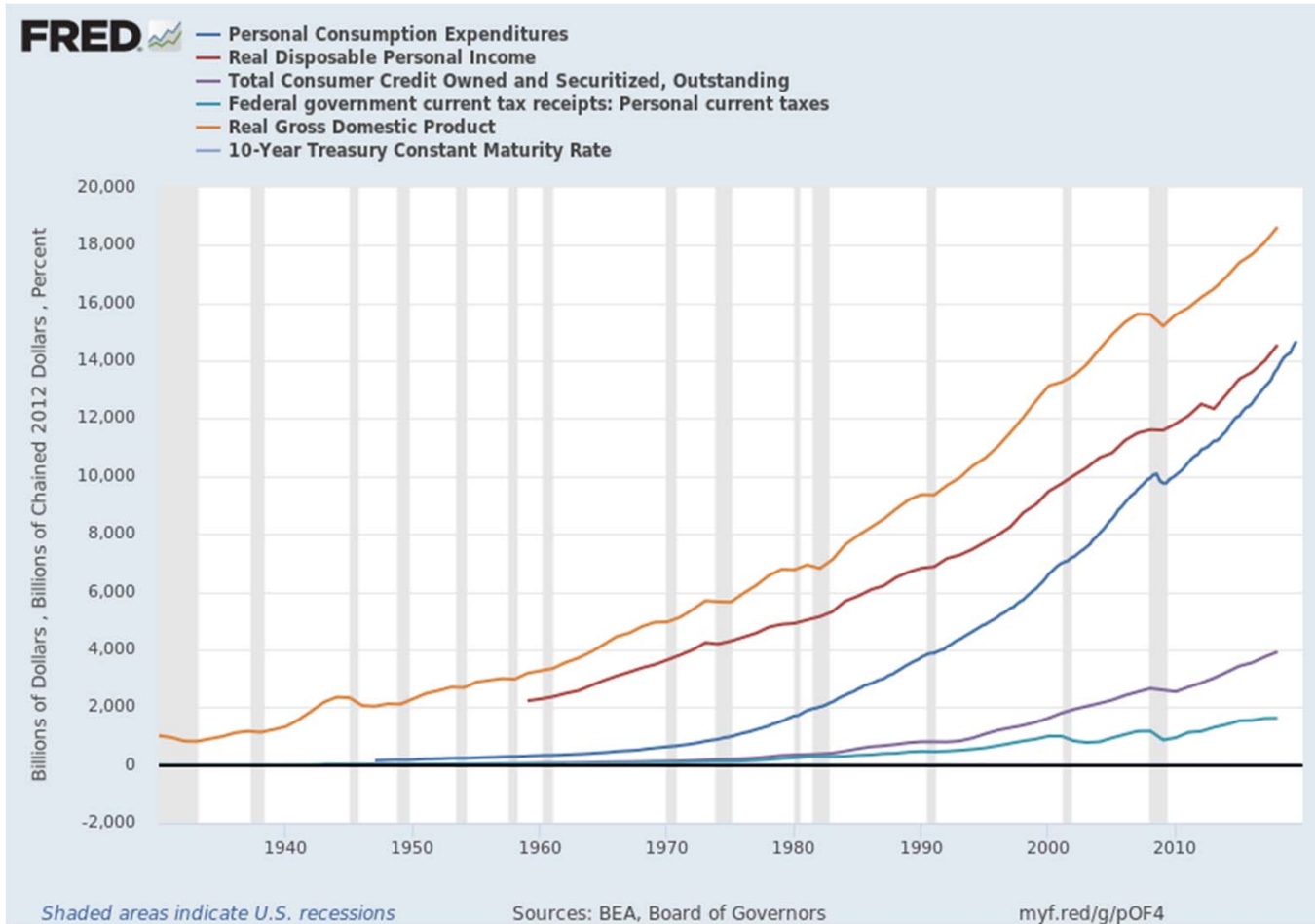
Real GDP Components Stacked



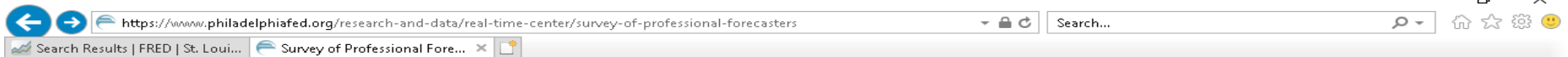
Factors Affecting Personal Consumption

- Income and distribution
- Changes in Consumer Expectations
- Interest rates
- Price Expectations
- Tastes and Preferences
- Credit Card Terms
- Windfalls (capital gains/dividends)
- Durable Goods Lifespan
- Taxes
- Fiscal Policy

Factors Affecting Personal Consumption



Federal Reserve Bank of Philadelphia:



- Overview
- Banking & Financial Markets
- Economists
- Real-Time Data Research Center**
- Regional Economy
- Research Contacts
- Research Events
- Research Library
- Research Publications
- Contact Us
- Consumer Finance Institute

Home > Research & Data > Real-Time Data Research Center > Survey of Professional Forecasters

Survey of Professional Forecasters

The Survey of Professional Forecasters is the oldest quarterly survey of macroeconomic forecasts in the United States. The survey began in 1968 and was conducted by the American Statistical Association and the National Bureau of Economic Research. The Federal Reserve Bank of Philadelphia took over the survey in 1990.

The Survey of Professional Forecasters' web page offers the actual releases, documentation, mean and median forecasts of all the respondents as well as the individual responses from each economist. The individual responses are kept confidential by using identification numbers.



Recent Releases

Last update: November 15, 2019, at 10:00 a.m. ET

- **Fourth Quarter 2019** ★ NEW
- Third Quarter 2019
- Second Quarter 2019
- First Quarter 2019

Previous Releases

View previous releases of the Survey of Professional Forecasters going back to Third Quarter 1990. All surveys are in PDF format.

- select a quarter -

Historical GDP Forecast Data

Other Data Sets

- Aruoba-Diebold-Scotti Business Conditions Index
- Aruoba Term Structure of Inflation Expectations
- GDPplus
- Greenbook Data Sets
- Livingston Survey
- Partisan Conflict Index
- Philadelphia Research Intertemporal Stochastic Model (PRISM)
- Projections for the Semiannual Monetary Policy Report to the Congress
- Real-Time Data Set for Macroeconomists

Next Release Date

The next release date is **February 14, 2020, at 10:00 a.m. ET.**

Questions?

For additional information about the survey, send e-mail to: PHIL.SPF@phil.frb.org.

Call for Participants

We're looking for forecasters to

Fourth Quarter 2019 Survey of Professional Forecasters (11/15/19)

Median Forecasts for Selected Variables in the Current and Previous Surveys

	Real GDP (%)		Unemployment Rate (%)		Payrolls (000s/month)	
	Previous	New	Previous	New	Previous	New
<i>Quarterly data:</i>						
2019:Q4	2.0	1.7	3.6	3.6	148.1	162.9
2020:Q1	1.9	1.9	3.6	3.6	137.6	133.1
2020:Q2	2.0	1.7	3.6	3.6	145.8	159.4
2020:Q3	2.0	1.7	3.7	3.7	108.3	122.5
2020:Q4	N.A.	1.9	N.A.	3.7	N.A.	127.3
<i>Annual data (projections are based on annual-average levels):</i>						
2019	2.3	2.3	3.7	3.7	190.6	191.7
2020	1.9	1.8	3.6	3.7	141.2	143.8
2021	2.0	2.0	3.9	3.7	N.A.	N.A.
2022	2.1	2.0	4.0	3.9	N.A.	N.A.



Federal Reserve Bank of New York

Browser address bar: <https://www.newyorkfed.org/>

Navigation menu: MUSEUM & GOLD TOUR | REGIONAL ECONOMY | DATA & STATISTICS | CAREERS | BLOG | PRESS CENTER

FEDERAL RESERVE BANK of NEW YORK *Serving the Second District and the Nation*

Menu items: About the New York Fed | Markets & Policy Implementation | **Economic Research** | Financial Institution Supervision | Financial Services & Infrastructure | Outreach & Education

TOP 5
POSTS OF 2019
Liberty Street Economics

Auto Loans, Tariffs, Rising College Costs, and Other Top LSE Posts of 2019

New York Fed Names New Senior Leaders for Markets and Financial Services Groups

Paul A. Volcker, Former Fed Chairman and New York Fed President, 1927-2019

Who Pays the Tax on Imports from China?

PRESS CENTER
Williams: No Man Is an Island

CENTER FOR MICROECONOMIC DATA
Credit Access Survey Shows Increases in Housing Loan Applications and Approval Rates

STATEMENTS & OPERATING POLICIES
Public Comment Period on a Proposed Publication of SOFR Averages and a SOFR Index Extended

NEXT

January 2020 Economic Indicators Calendar

https://www.newyorkfed.org/research/calendars/i-jan20.html

Economic Indicators Calen... x

MUSEUM & GOLD TOUR REGIONAL ECONOMY DATA & STATISTICS CAREERS BLOG PRESS CENTER search

FEDERAL RESERVE BANK of NEW YORK *Serving the Second District and the Nation*

About the New York Fed Markets & Policy Implementation Economic Research Financial Institution Supervision Financial Services & Infrastructure Outreach & Education

home > economic research >

Economic Indicators Calendar

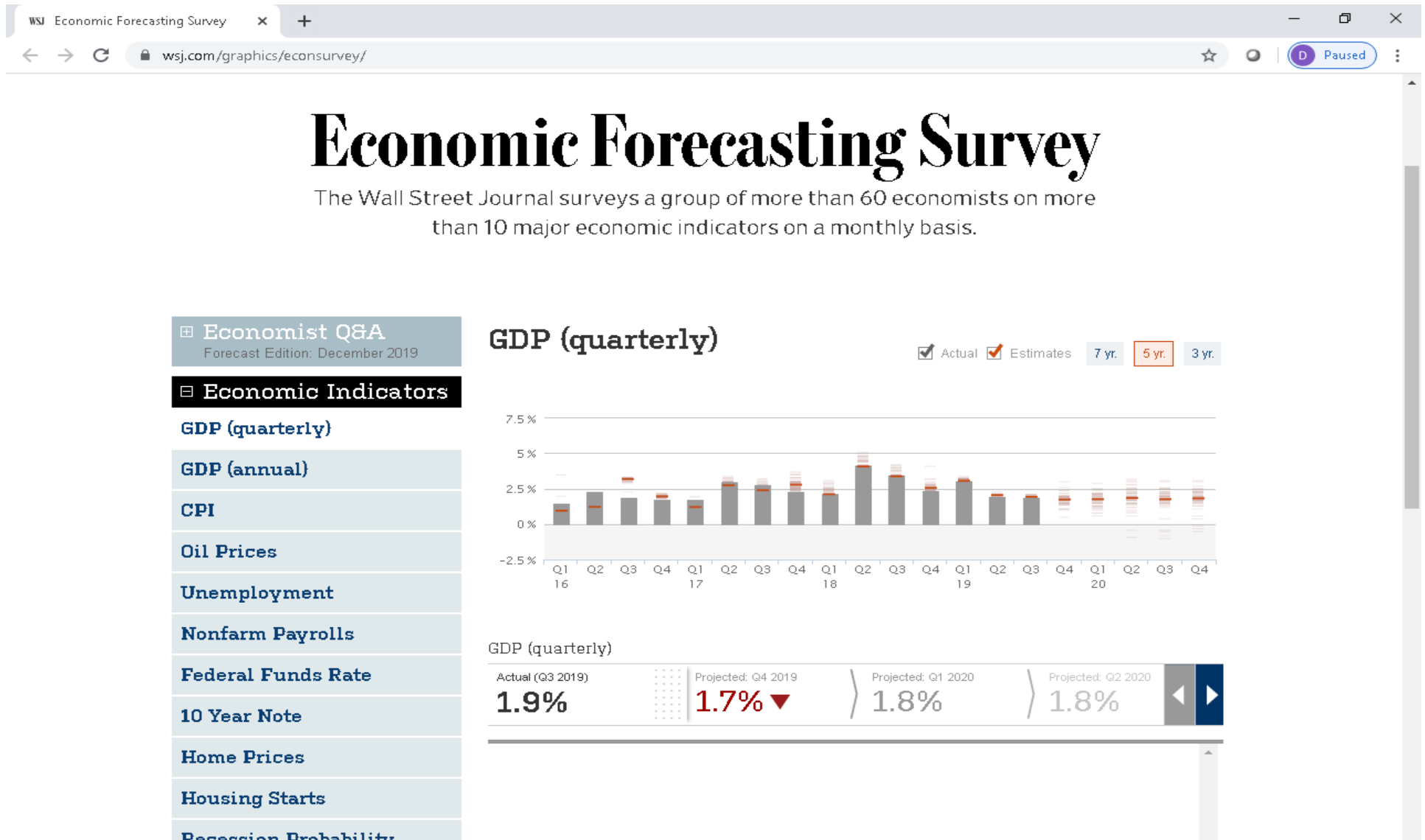
Provides the date and time of key economic data releases. When available, links on the calendar direct you straight to the data source (often [OFFSITE](#)).

Printer version

← PREVIOUS MONTH JANUARY 2020 NEXT MONTH →

Monday	Tuesday	Wednesday	Thursday	Friday
		01	02	03 Construction PDF (10:00) ISM Manufacturing (10:00)
06	07 CoreLogic Home Price Index (08:30) Trade Balance (08:30) ISM Non-Manufacturing (10:00)	08	09 Initial Claims PDF (08:30)	10 Employment Situation (08:30)
13	14	15	16	17
20	21	22	23	24

WSJ Economic Survey December 2019



Bloomberg (ECO)

GRAB
9 <GO> to Save as Default

1) Calendars 2) Alerts 3) Export 4) Settings Economic Calendars

United States Browse 18:42:28 12/30/19 - 01/06/20

Economic Releases All Economic Releases View Agenda Weekly

	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	12/30	08:30				Advance Goods Trade Balance	Nov	-\$68.7b	-\$63.2b	-\$66.5b	-\$66.8b
22)	12/30	08:30				Retail Inventories MoM	Nov	0.1%	-0.7%	0.3%	0.1%
23)	12/30	08:30				Wholesale Inventories MoM	Nov P	0.2%	0.0%	0.1%	0.0%
24)	12/30	09:45				MNI Chicago PMI	Dec	47.9	48.9	46.3	--
25)	12/30	10:00				Pending Home Sales MoM	Nov	1.4%	1.2%	-1.7%	-1.3%
26)	12/30	10:00				Pending Home Sales NSA YoY	Nov	7.4%	5.6%	3.9%	4.4%
27)	12/30	10:30				Dallas Fed Manf. Activity	Dec	0.0	-3.2	-1.3	--
28)	12/31	09:00				FHFA House Price Index MoM	Oct	0.4%	--	0.6%	--
29)	12/31	09:00				S&P CoreLogic CS 20-City MoM	Oct	0.30%	--	0.36%	--
30)	12/31	09:00				S&P CoreLogic CS 20-City YoY	Oct	2.10%	--	2.10%	--
31)	12/31	09:00				S&P CoreLogic CS 20-City NSA	Oct	218.29	--	218.27	--
32)	12/31	09:00				S&P CoreLogic CS US HPI YoY	Oct	--	--	3.22%	--
33)	12/31	09:00				S&P CoreLogic CS US HPI NSA I	Oct	--	--	212.20	--
34)	12/31	10:00				Conf. Board Consumer Confiden	Dec	128.4	--	125.5	--
35)	12/31	10:00				Conf. Board Present Situation	Dec	--	--	166.9	--
36)	12/31	10:00				Conf. Board Expectations	Dec	--	--	97.9	--
37)	01/02	08:30				Initial Jobless Claims	Dec 28	220k	--	222k	--
38)	01/02	08:30				Continuing Claims	Dec 21	1680k	--	1719k	--

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 4565 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000
Copyright 2019 Bloomberg Finance L.P.
SN 646796 H698-928-0 30-Dec-19 18:42:28 EST GMT-5:00

2020 Economic Outlook

- [Forbes](#): Economic Forecast 2020-2021: Moderate And Then Improving Growth
- [Goldman Sachs](#): WATCH: \$GS Research shares its U.S. economic outlook for the upcoming year
- [Stifel](#): 2020 Economic Outlook-Evidence of Weakness
- [SIFMA](#): 2019 End-Year US Economic Survey
- [CNBC TV](#): US Fed keeps rates on hold, expects 'favourable' economic outlook for 2020

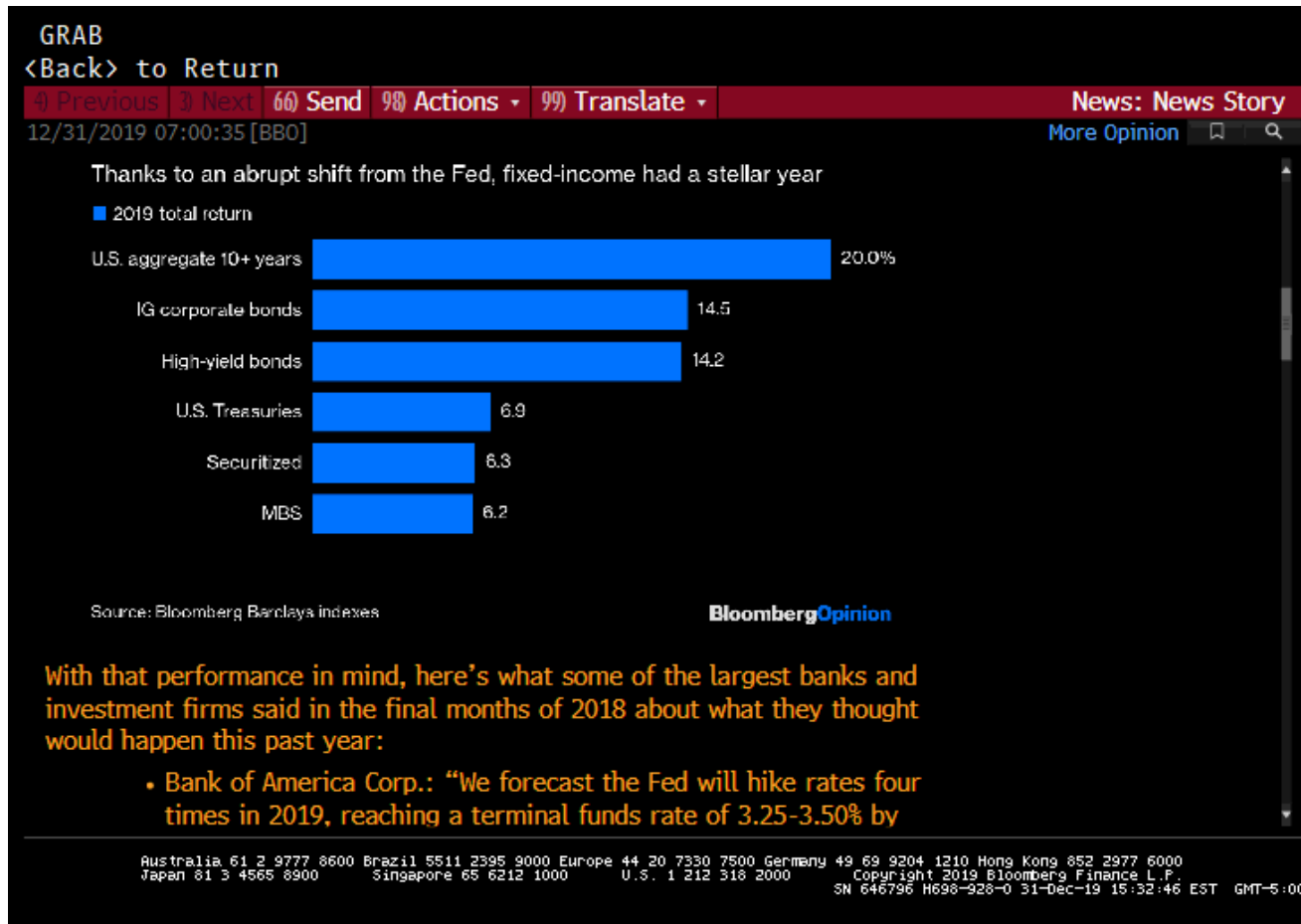
TalkMarkets: Michael J. Kramer's Blog Predictions for 2020

- Prediction 1: President Trump Will Win A Landslide Victory In 2020
- Prediction 2: The S&P 500 will rise to 3,605 in 2020
- Prediction 3: The Fed will Raise Interest Rates One Time in 2020
- Prediction 4: The Reflation Trade Will Lead Stocks
- Prediction 5: Oil, Copper, And Gold Will Soar in 2020

TalkMarkets: Michael J. Kramer's Predictions for 2020

- Prediction 6: Inflation Will Return To 3% In 2020
- Prediction 7: The U.S. Dollar Will Sink In 2020
- Prediction 8: The 10-Year Yield Will Rise To 2.3% In 2020
- Prediction 9: US GDP Grows at 3% In 2020
- Prediction 10: Global Growth Returns In 2020

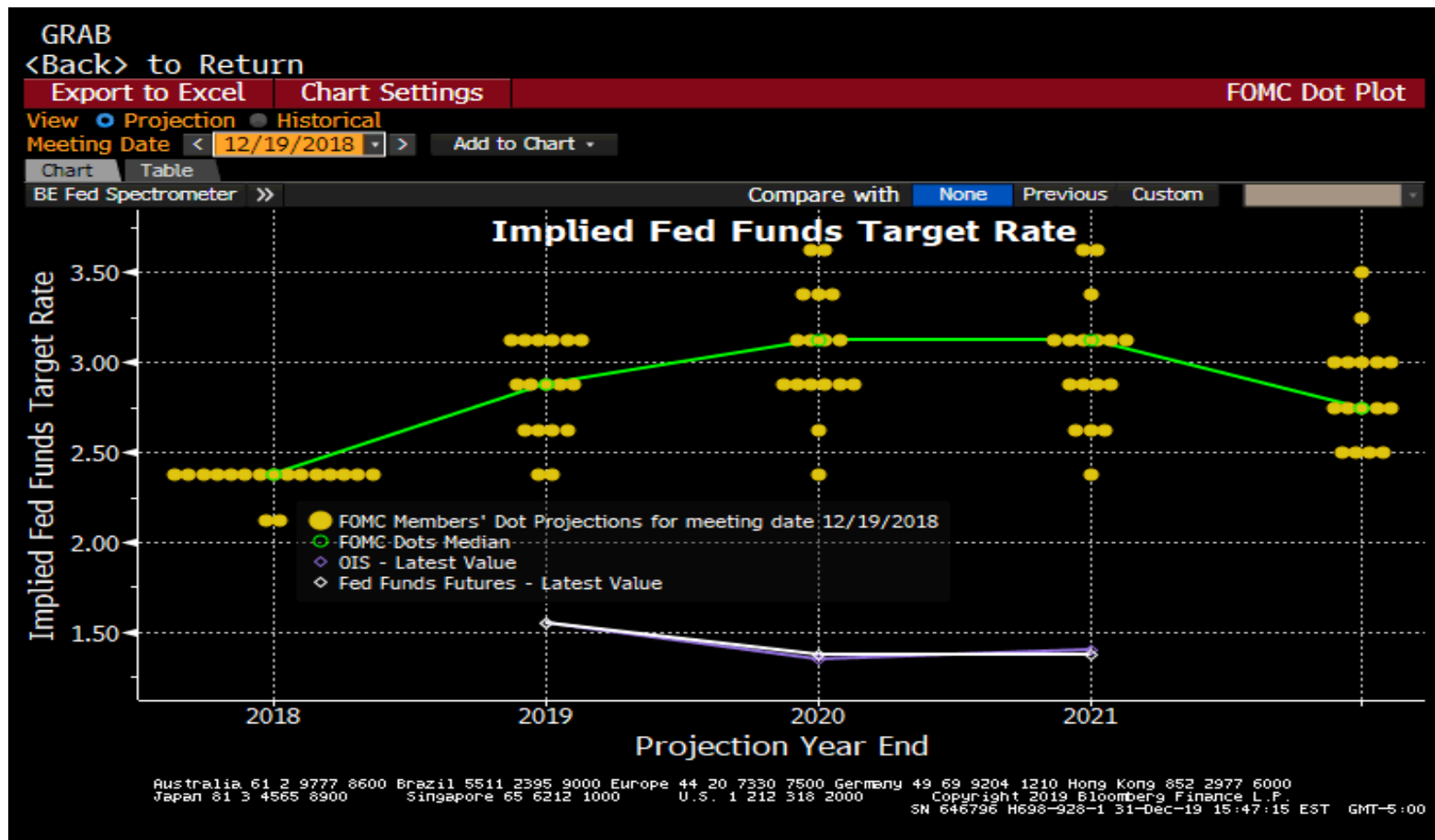
Behind the Bond Boom No One Saw Coming in 2019: Brian Chappatta



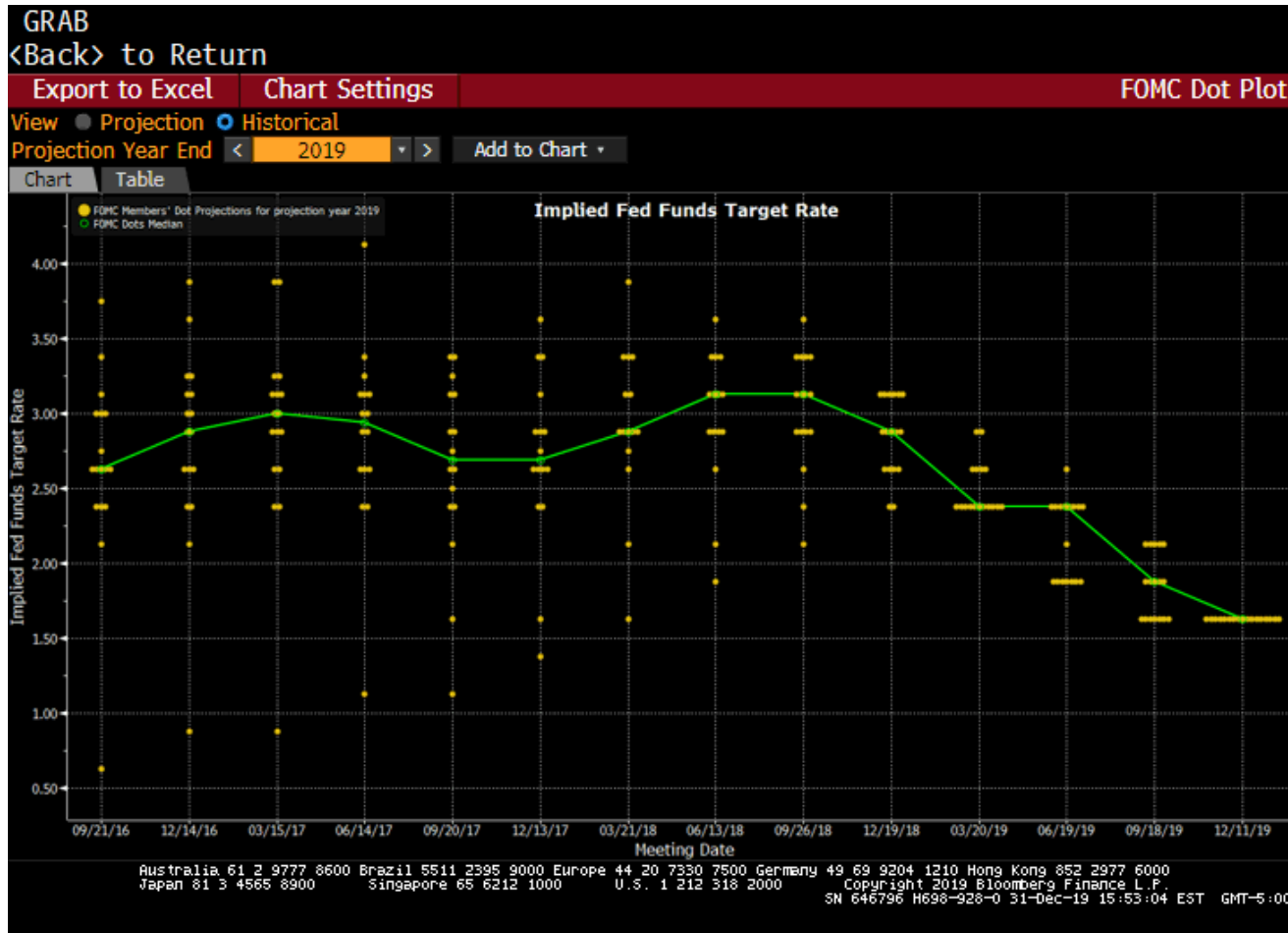
Here's what some of the largest banks and investment firms said end of 2018

- Bank of America Corp.: “We forecast the Fed will hike rates four times in 2019, reaching a terminal funds rate of 3.25-3.50% by year-end.”
- Morgan Stanley: “We believe the credit bear market, which likely began when IG spreads hit cycle tights in Feb. 2018, will continue in 2019, with HY and then eventually loans underperforming.”
- Deutsche Bank AG: “Increasingly tight policy will push bond yields higher and lead to wider credit spreads after a near-term relief rally.”
- Nomura: “We expect 2019 to conclude the hiking cycle with up to two more hikes. ... IG is still in focus (especially the BBB story) but it's HY that could come under pressure as growth slows.”
- Citigroup Inc.: “Both equities and bonds have the potential to see positive returns in 2019. However overall return levels are likely to remain subdued.”
- BlackRock Inc.: “We see equities and bonds eking out positive returns in 2019. ... We take an up-in-quality stance in credit, and overall see limited upside and asymmetric downside as the economy enters into a late-cycle phase.”
- **Brian Chappatta is a Bloomberg Opinion columnist covering debt markets.**

Fed Dot Plots: Projections for 2019



Fed Dot Plots: Historical 2019



Fed Dot Plots: Projections for 2020



Economists' Forecasts for the U.S. Treasury 2y yield (Bloomberg, Dec. 6-12)

	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
	2019	2020	2020	2020	2020	2021	2021	2021	2021	2022
# of replies	51	55	55	55	55	45	42	41	42	28
Median	1.62%	1.60%	1.60%	1.63%	1.65%	1.65%	1.65%	1.70%	1.75%	1.77%
Average	1.60%	1.59%	1.60%	1.62%	1.64%	1.66%	1.67%	1.71%	1.77%	1.85%
High Forecast	1.90%	1.96%	2.50%	2.75%	2.25%	2.38%	2.55%	2.80%	2.95%	3.05%
Low Forecast	1.25%	1.00%	0.75%	0.91%	1.00%	1.00%	1.00%	1.08%	0.99%	0.88%
Previous median	1.58%	1.60%	1.64%	1.65%	1.69%	1.72%	1.72%	1.73%	1.75%	1.74%
Change in median	0.04%	0.00%	-0.04%	-0.02%	-0.04%	-0.07%	-0.07%	-0.03%	-0.01%	0.03%

Economists' Forecasts for the U.S. Treasury 5y yield (Bloomberg, Dec. 6-12)

	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
	2019	2020	2020	2020	2020	2021	2021	2021	2021	2022
# of replies	44	47	47	46	46	39	36	36	37	25
Median	1.60%	1.63%	1.67%	1.70%	1.75%	1.77%	1.77%	1.80%	1.90%	1.90%
Average	1.61%	1.62%	1.67%	1.70%	1.73%	1.78%	1.81%	1.87%	1.92%	2.02%
High Forecast	2.00%	2.01%	2.63%	2.89%	2.37%	2.55%	2.75%	2.95%	3.10%	3.29%
Low Forecast	1.25%	1.00%	0.75%	1.00%	1.00%	1.00%	1.00%	1.15%	0.98%	0.87%
Previous median	1.55%	1.60%	1.70%	1.70%	1.80%	1.85%	1.85%	1.86%	1.90%	1.92%
Change in median	0.05%	0.03%	-0.03%	0.00%	-0.05%	-0.08%	-0.08%	-0.06%	0.00%	-0.02%

Economists' Forecasts for the U.S. Treasury 10y yield (Bloomberg, Dec. 6-12)

	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
	2019	2020	2020	2020	2020	2021	2021	2021	2021	2022
# of replies	56	59	59	59	60	49	46	45	47	32
Median	1.79%	1.80%	1.88%	1.90%	1.93%	1.98%	1.97%	2.04%	2.10%	2.22%
Average	1.79%	1.81%	1.85%	1.90%	1.92%	1.97%	2.01%	2.09%	2.14%	2.25%
High Forecast	2.20%	2.35%	2.75%	3.03%	2.75%	2.95%	3.05%	3.25%	3.48%	3.67%
Low Forecast	1.40%	1.25%	1.00%	1.05%	1.00%	1.00%	1.00%	1.20%	1.25%	1.30%
Previous median	1.72%	1.80%	1.90%	1.93%	2.00%	2.00%	2.05%	2.05%	2.10%	2.00%
Change in median	0.07%	0.00%	-0.02%	-0.03%	-0.07%	-0.02%	-0.08%	-0.01%	0.01%	0.22%

WSF Economic Survey December 2019

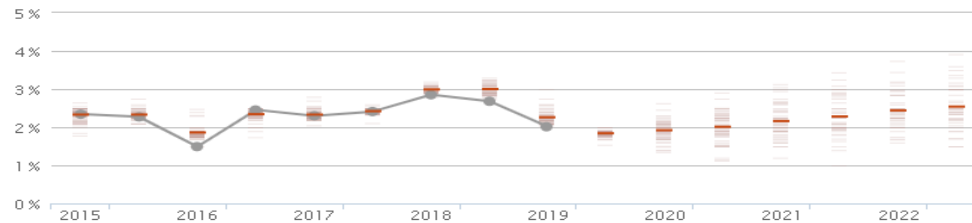
Economic Forecasting Survey

The Wall Street Journal surveys a group of more than 60 economists on more than 10 major economic indicators on a monthly basis.

- Economist Q&A
Forecast Edition: December 2019
 - Economic Indicators**
 - GDP (quarterly)
 - GDP (annual)
 - CPI
 - Oil Prices
 - Unemployment
 - Nonfarm Payrolls
 - Federal Funds Rate
 - 10 Year Note
 - Home Prices
 - Housing Starts
 - Recession Probability
- Download data for December 2019
- Edition: 2019-12-01

10 Year Note

Actual Estimates 12 yr. 8 yr. 4 yr.



10 Year Note

Actual (Jun. 2019)	Projected: Dec. 2019	Projected: Jun. 2020	Projected: Dec. 2020
2.01%	1.84% ▼	1.92%	2.01%



SIFMA: Monetary Policy

- Fed's Rate Decision
 - 50% of respondents believe the Fed's next move will be up
 - 44% of respondents believe the Fed's next move will be down
 - 6% see the Fed on hold for the foreseeable future
- Differs from 65% down and 35% up in SIFMA's mid-year survey
- Reflects increased optimism among economists

SIFMA: Monetary Policy

- When the Fed Will Move (If the Next Move is UP)
- >4Q20.....88%
- 3Q20.....13%
- 4Q20 0%
- 2Q20 0%
- 1Q20 0%
- 4Q19 0%

SIFMA: Monetary Policy

- When the Fed Will Move (If the Next Move is DOWN)
- 2Q20.....43%
- 1Q20.....29%
- 4Q19.....29%
- >4Q20 0%
- 4Q20 0%
- 3Q19 0%

Avg. Rank: Most Important to Decision to Raise Rates

- Inflation Pressure and Expectations
- Labor Market Conditions
- Other Economic Activity Measures
- Financial Developments
- Global Economic Developments
- Other

Avg. Rank: Most Important to Decision to CUT Rates

- Labor Market Conditions
- Global Economic Developments
- Inflation Pressure and Expectations
- Other Economic Activity Measures
- Financial Developments
- Other

Hot Topics

- Negative rates
 - Pro: February 4, 2019 [FRBSF Economic Letter](#)
 - Con: February 2, 2019 Bloomberg's: [Fed Going Negative](#) would 'Blow Up' Money Markets, Boockvar Warns
- Election Effects on the economy
 - [Wells Fargo's Estimating Elections' Effect](#) on the Economy
- Federal Reserve Independence
- ESG, Socially Responsible Investing
- Diversity-seeing this on RFPs

Contact Info

- Deborah M. Higgins, President Higgins Capital
- 800 716-6510
- debbie@higginscapital.com



Disclosure

- *INTENDED FOR INSTITUTIONAL INVESTORS ONLY.* The information provided herein is for informational purposes only and should not be construed as a recommendation of any security, strategy or investment product, nor as an offer or solicitation for the purchase or sale of any financial instrument. Any information or data used in presentation was obtained from sources we believe to be reliable, but we do not guarantee its accuracy. This presentation contains the current opinions of the author, which are subject to change without notice. Any statements concerning financial market trends or future forecasts are based on current market conditions, which will fluctuate. Past performance is not Indicative of future results. Member FINRA/SIPC.