Gold markets have had a quiet summer. Volatility measures have collapsed to pre-Covid lows and there has been precious little news flow. Looking forward, however, our work suggests relevant gold fundamentals are once again aligning strongly in gold's favor, and we anticipate significant precious-metal fireworks by year end. Despite historic Fed rate hikes and multi-decade highs for Treasury yields, the gold price remains surprisingly strong. This past April, we predicted spot gold would set new highs in the mid-2000's by year-end. In this report, we convey our undiminished confidence in fresh fourth-quarter highs.

$2,000 Price Tag

As is often the case, recent ebullience in equity markets has completely overshadowed the impressive performance of precious metals. Over centuries of trading prior to 2023, spot gold had closed above $2,000 on a total of ***seven*** global trading days (six in August 2020 and one in March 2022). During this past April and May, spot gold closed above $2,000 on ***19*** trading days and averaged ***$1,996*** over the two-month span. As shown in Figure 1, below, the sticker shock of a $2,000 gold price (red line) was abating by late spring. During June and July, gold consolidated this historic strength with a modest 2.6% decline to a ***$1,945*** average price. And most recently, spot gold averaged ***$1,918*** during August and closed the month on the upswing at ***$1,940***. Coupled with strong technical support provided by converging moving averages (purple oval), gold appears poised for an extended run above the high profile $2,000 threshold. Given years of pent-up anticipation of plus-$2,000 gold, such a move should ignite a powerful rally in gold shares.

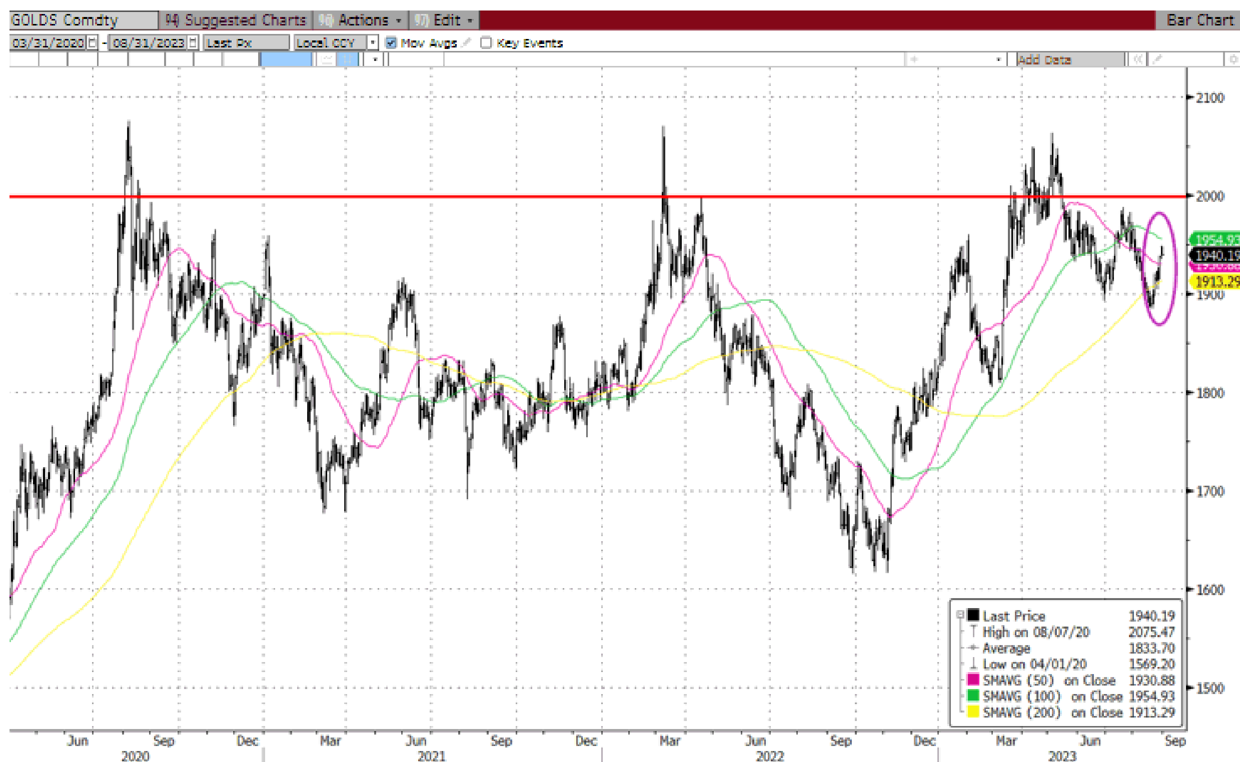

Figure 1 : Spot Gold Price (03/31/20-08/31/23) [Bloomberg]

While we recognize counter-factual questions usually stem from disappointment, we cannot resist posing the following query. In early-2023, if one were to assume that by late-August fed funds would hit ***5.50%***, nominal 10-year Treasury yields would rise to ***4.11%*** and real 10-year yields would reach ***1.83%***, what might have been a reasonable expectation for the coincident gold price? We suspect few would have floated zip codes anywhere near $1,940, and for very good reason. The last time fed funds were 5.50% (March '01), spot gold traded at ***$260***, and the last time real 10-year yields were 1.83% (Aug '09), spot gold traded at ***$940***. So, key financial benchmarks are now treading in (long) uncharted water.

Even in the narrower context of the post-Covid era, the 2023 gold price has completely decoupled from perceived correlations with nominal and real interest rates. By way of example, we update in Figure 2, below, a framework we have utilized in recent years to track the correlation between the gold price and ***real 10-year Treasury yields***. Roughly speaking, the gold price (gold line) displayed negative correlation to real yields (black line) from 2012 all the way through the Fed's ill-advised $1.4 trillion of 2021 QE. In mid-2022, however, as the Fed accelerated its tightening pace (purple shading), the gold price began to ***rise along with*** real yields, and today ***both*** stand near multi-decade highs.

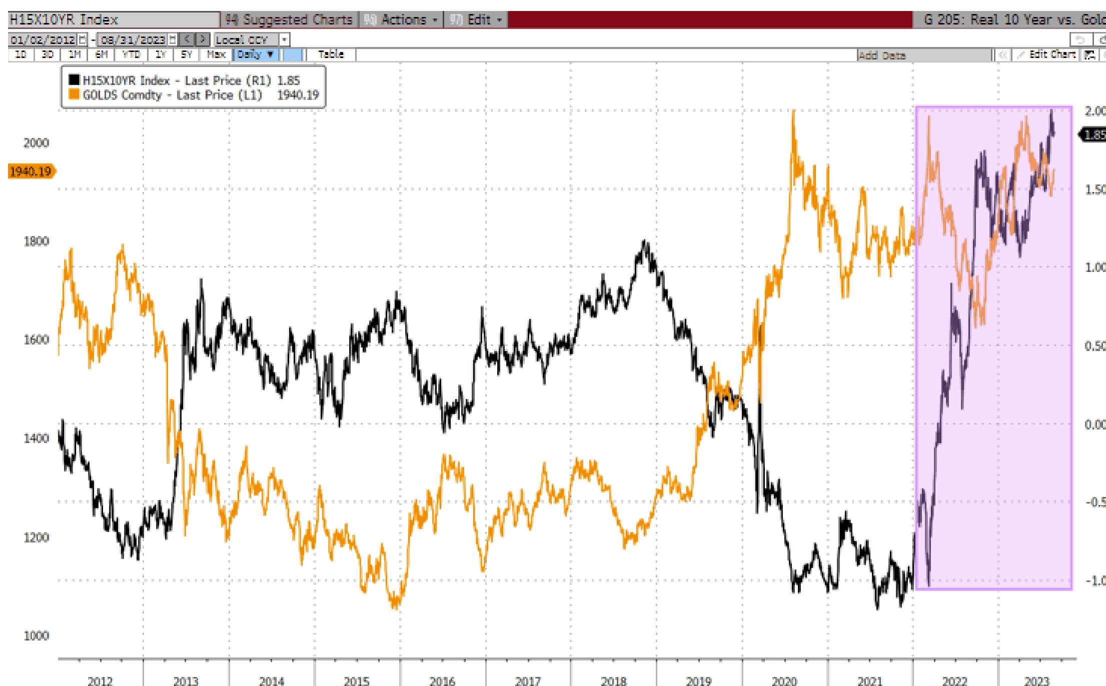

Figure 2: Spot Gold vs. U.S. Treasury Constant Maturity 10-Year Real Yield (1/2/2012-8/31/23) [Bloomberg]

By any historical measure, longstanding correlations would equate today's real-yield highs with a gold price hundreds-of-dollars lower. Unsurprisingly, gold's shattering of its correlations to long rates has received ***zero*** attention from Wall Street, institutional investors or the financial press. We find this puzzling because there is far less information to be gleaned from tracking gold's short-term fluctuations (analyzed constantly) than from careful study of junctures when gold's historical correlations break down (generally ignored). We think institutional investors are missing the boat by not focusing on what gold's current decoupling from long rates may be signaling.

For frame of reference, gold rallied significantly during the Fed's prior two tightening cycles (2004 & 2015). We have documented our view that during Fed tightening cycles gold rallies the hardest not when markets are expecting a Fed pivot, but, more specifically, when markets become concerned Fed tightening is about to break something. ***We believe gold's resilience amid multi-decade highs for both long and short rates is signaling approach of the hard landing so far avoided by the Fed's steep rate hikes.***

Hard vs. Soft

Throughout 2023, the overarching questions facing financial markets have been whether and when Fed tightening will cause recession. As recently as late-2022, overwhelming consensus anticipated at least a mild recession sometime in the next twelve months. Today, since no recession has materialized, restless investors are flocking to the soft-landing bandwagon. Never mind that the Fed has accomplished just one soft landing during the past 67 years (1995). No matter. FOMO and AI will see us through.

Most startling about the ongoing shift in recession expectations has been the speed and magnitude of the change. As recently as this past November, Bank of America's *Global Fund Manager Survey* reported that just ***11%*** of respondents believed a global recession was ***unlikely*** during the next 12 months (Figure 3, below). By August, the percentage of optimistic managers had quadrupled to ***42%***!

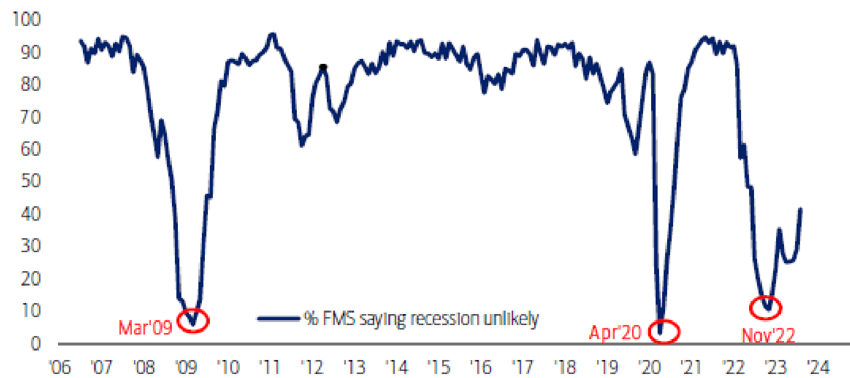

Figure 3: Percentage of Managers Viewing Global Recession "Unlikely" During Next 12 Months (August 2006-August 2023) [Bank of America Global Fund Manager Survey]

Employing the art of semantics, the Bank of America survey posed a corollary question in slightly different terms, asking managers what would be the "most likely outcome for the global economy in the next 12 months: ***soft*** landing, ***hard*** landing, or ***no*** landing?" As shown in Figure 4, below, an astounding ***74%*** of managers now foresee either a soft landing (whatever that means) or no landing at all, and just ***20%*** expect a hard landing.

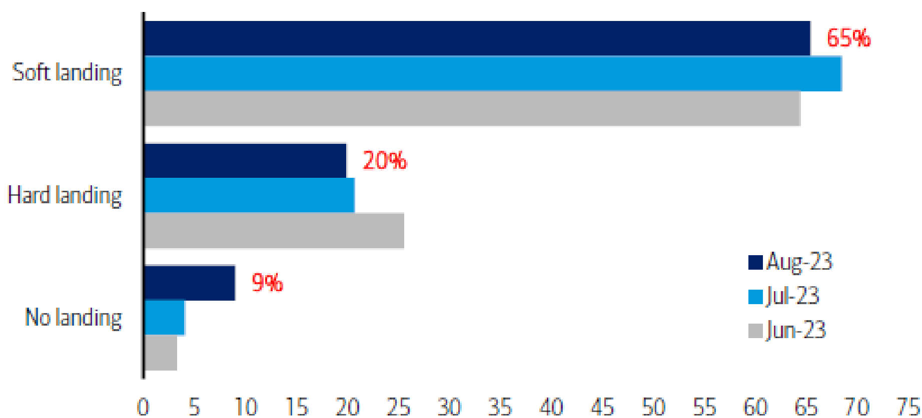

Figure 4: Percentage of Managers Expecting "Soft, Hard or No" Landing During Next 12 Months (June, July & August 2023) [Bank of America Global Fund Manager Survey]

Over the years, we have developed great respect for the views of Stan Druckenmiller. Like other investors of his ilk (Howard Marks, Seth Klarman), an important component of Stan's wisdom is its sheer simplicity. After all, with a track record like Druckenmiller, Marks or Klarman, there is no need to clutter contrarian views with complicated reasoning. Along these lines, we wholeheartedly ascribe to Stan's straightforward logic about the ongoing hard-or-soft debate (6/7/23):

> A lot of people, because we haven't had an economic decline start yet, have changed their forecasts from a hard landing to a soft landing and a lot of others have changed it from a soft landing to no landing. I haven't changed mine at all…To me, the probabilities haven't changed—it's been pushed out relative to expectations. But in no way does the fact that it hasn't started yet change the probability of whether it's going to be hard or soft. I would actually argue since it's taken so long—the Fed has ended up with a higher terminal rate and in fact inflation gets stickier the longer it stays in the system—that it ***increases*** not ***decreases*** the probability of a hard landing.

For the past year, we have been harping that the Powell Fed's aggressive pace of rate hikes will inflict significant damage on global asset markets. Glancing back memory lane, the Yellen Fed spent three years coaxing fed funds 225 basis points above the zero bound before destabilized equity markets (Q4 '18) and the repo crisis (Q3 '19) caused Chair Powell to implement one of the sharpest policy U-turns in Fed history. Sustained by Covid, Chair Powell's easing cycle was still in full swing through 2021, when the Fed was inexplicably pumping out $120 billion of monthly QE despite GDP approaching 7%, CPI over 6% and unemployment under 6%.

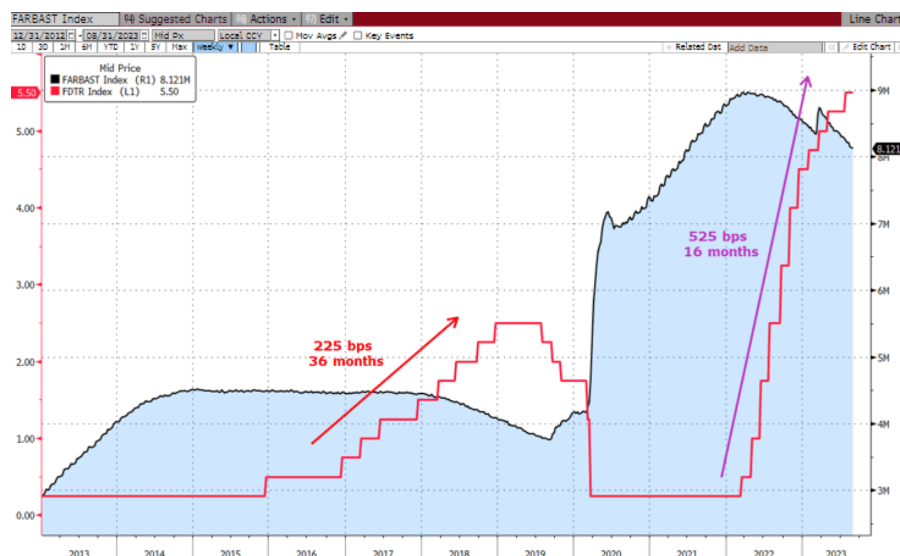

Figure 5: Total Assets of Consolidated Federal Reserve Balance Sheet vs. Upper Band of Fed Funds Target Range (2013-8/31/23) [Bloomberg]

Beginning March 2022, with a balance sheet twice as large and U.S. debt 50% higher than in 2015, the Powell Fed has now executed rate hikes ***233%*** the size of the Yellen cycle in ***44%*** of the time (Figure 5, above). In our view, it is utterly impossible that the Fed's rapid pace of rate hikes following 13 years of QE and ZIRP will not destabilize a wide range of financial asset valuations. Having spent years documenting the Fed's faulty forecasts, faulty analytical framework and faulty policy guidance, and coming on the heels of the Fed's egregious 2021 liquidity programs, we could not conceive of hopping on the soft-landing bandwagon simply because the landing is taking longer than expected. What happened to the 90% of investors who in November expected recession? Nothing important has changed. What are they thinking?

Jammed Circuits

To us, painful financial reckoning for 13 years of QE and ZIRP is absolutely inevitable. Millions of economic decisions and trillions of dollars of capital allocations were made using faulty information of artificially depressed interest rates. Nothing can change the fact that massive amounts of malinvestment must now be rationalized to clear the financial system. Before investors change their minds about the ***likelihood*** of recession, we think it makes sense to examine whether there are legitimate factors simply ***delaying*** recession's arrival. Along these lines, we have identified several unique phenomena now exacerbating the long and variable lags inherent in Fed policy tightening. Ironically, the financial anomalies we see delaying a hard landing are themselves byproducts of the distortions of a decade-and-a-half of QE and ZIRP.

First, the Fed has capped fed funds near zero for so long, average interest rates on existing mortgages have reached historic lows. Residential broker Redfin estimates (6/20/23) that 92% of U.S. mortgaged homeowners have a mortgage rate below 6%; 82% have a rate below 5%; 62% have a rate below 4%; and 24% have a rate below 3%. Such historically low rates have created a "lock in" effect, in which potential sellers choose to stay put to avoid paying today's 7.53% rate for a new mortgage on a new home. Along these lines, the Mortgage Bankers Association reported 8/25/23 that its Purchase Index had fallen to the lowest level in 28 years.

Because the Fed pinned rates so low for so long, the vast majority of homeowners are effectively insulated from rising mortgage rates. In this manner, the flowthrough effects of Fed rate hikes on mortgage rates are not having their traditionally restrictive impact on consumer finances. Therefore, to achieve the Fed's desired goal of tightening overall financial conditions, the FOMC may need to raise rates higher for longer and rely on other economic sectors to pinch consumer activity. Similarly, while market bulls are encouraged by the strength of U.S. home prices, we would suggest these high prices accrue directly from the restricted supply of locked-in sellers and are more reflective of systemic dysfunction than economic health.

Second, the traditional mechanism by which Fed rate hikes tighten corporate financial conditions through rising interest costs has been largely turned on its head. In the contemporary ZIRP era, the very largest U.S. corporations have locked in long-term debt at miniscule interest rates but are now collecting surging interest income on their cash balances due to the Fed's steep rate hikes. By way of example, the magnificent seven (AAPL, MSFT, GOOG, AMZN, NVDA, META & TSLA) sport a collective $188 billion cash balance while paying very low single digit interest rates on their long-term debt.

Because the largest 10% of S&P companies so dominate index financials, this combination of cheap (long) borrowing and rising (short) interest income has created a counterintuitive situation in which ***rising fed funds are driving down net U.S. corporate interest payments***. Talk about an inverted yield curve! As shown in Figure 6, below, Bureau of Economic Analysis GDP statistics disclose that coincident with the Fed's 525 basis points of tightening (blue line), net corporate interest payments (red line) have plunged from $285.4 billion (2021) to $201.9 billion (Q2 2023).

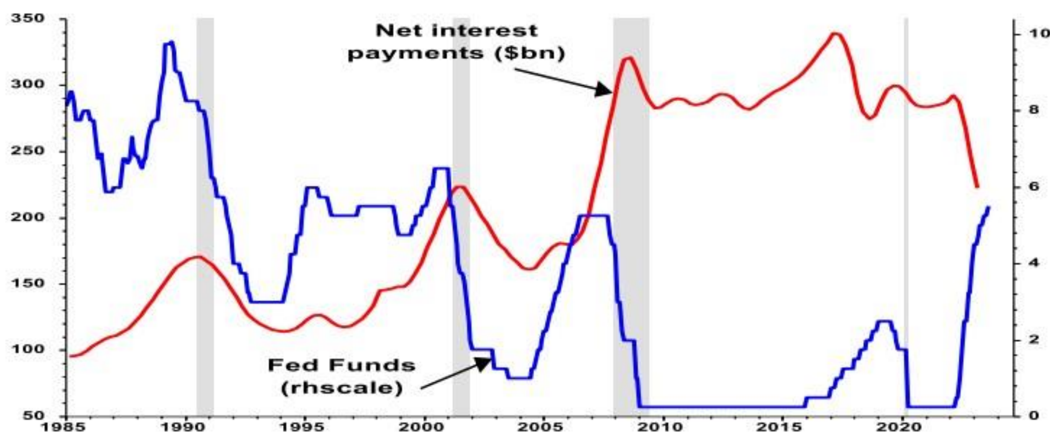

Figure 6: Upper Band of Fed Funds Target Range vs. U.S. Nonfinancial Corporate Net Interest Payments (1985-Q2 2023) [Federal Reserve, Bureau of Economic Analysis, Datastream]

Third, in a classic case of selective memory, investors now joining the soft-landing camp because the U.S. economy powered through Fed tightening are ignoring the fact that smack in the middle of the Fed's tightening campaign the failures of Silicon Valley Bank, Signature Bank and First Republic Bank caused the Fed to rollout $700 billion of liquidity and an unlimited Bank Term Funding Program (BTFP) to backstop regional bank balance sheets and short circuit a national bank run. While the BTFP does not get much press anymore, the Fed reported in its 8/30/23 H.4.1 balance sheet report that use of this emergency funding facility has ***reached a new record high of $108 billion***.

The speed and scale of the Fed's response to the March regional bank crisis reassured investors and speculators for the umpteenth time that the Fed will never truly tighten financial conditions. Certainly not the best way to incent widening spreads.

Fourth, while the Fed was conducting its 2022/2023 tightening campaign, the U.S. Treasury was offsetting this tightening with a massive rundown of its General Account at the Fed. During the year prior to the 6/3/23 debt-ceiling deal, the Treasury ran its Fed account down 95%, from $964 billion (5/4/22) to $48.5 billion (5/31/23). Reverse sterilization anyone? Ironically, just as investors are flipping their expectations to a soft-landing posture, Secretary Yellen is rebuilding the TGA at full throttle, already reaching $501 billion by 8/31/23 and targeting $750 billion by year-end.

Fifth, a consensus view has long held that consumers built up $3 trillion in "excess savings" during the Covid era providing a buffer against U.S. recession. While we have always quibbled with the characterization of these bank balances as savings (much larger debts tower above), we ***are*** sympathetic to research demonstrating that fiscal stimulus tends to provide a net boost to economic activity in the short run, before becoming a net burden over the long haul. As Van Hoisington observes (6/30/23):

> Estimates from econometric studies of highly indebted industrialized economies indicate that the government expenditure multiplier is positive for the first four to six quarters after the initial deficit financing, then turns negative after three years.

Especially given the indiscriminate nature of the $5 trillion in Covid-related fiscal stimulus, it is reasonable to assume related malinvestment and subsequent normalization shocks will pose significant challenges to consumer finances and economic activity in coming quarters.

Further clouding the consumer liquidity outlook, President Biden is running out of options to extend forbearance on $1.8 trillion of student loans held by 43.6 million borrowers. Barclays economist Adirenne Yih estimated in a June note that full resumption of student loan payments would saddle the average student loan debtor with an incremental monthly payment of $390, posing a $187 billion annual headwind to U.S. consumer finances. Reflecting growing corporate concern, our Bloomberg document search identified the phrase "student loan" in a stunning 151 second quarter earnings conference calls.

> The upcoming resumption of student loan repayments will put additional pressure on the already strained budgets of tens of millions of households. Michael Fiddelke, CFO, Target, 8/16/23

> It's not going to help us…The consumer is already under pressure, and this is just going to ratchet that up even further. Chip Bergh, CEO, Levi, 8/24/23

> In addition to the headwinds discussed on prior earnings calls, the expiration of student loan forgiveness beginning in October, higher interest rate levels, and lower job creation are all ***new*** pressures on the consumer. Adrian Mitchell, CFO, Macy's, 8/22/233

Finally, at the macro level, U.S. economic activity during the next 12-18 months will be challenged by a daunting confluence of liquidity draining events:

- The U.S. Treasury's 8/2/23 Quarterly Refunding Statement disclosed intentions to borrow an additional $1.01 trillion in the July-September quarter and $852 billion in the October-December quarter. This $1.875 trillion total is more than ***double*** total Treasury borrowing during the same period last year ($851 billion).

- Simultaneously, the Fed intends to continue its $95 billion monthly QT balance sheet runoff. For perspective, this unprecedented $1.14 trillion annual QT total is roughly ***three times*** the aggregate pace of the ill-fated Yellen Fed runoff ($750 billion in 22 months).

- Third, the U.S. banking system is still responding to the March deposit run by tightening credit standards and curtailing lending. The Fed's 7/31/23 Senior Loan Officer Opinion Survey (SLOOS) reported that 50.8% of banks tightened credit terms for C&I loans during Q2 2023, up from -32.4% as recently as Q3 2021.

Hard Facts

As expectations for a soft-landing grow, hard evidence of imminent recession continues to mount. While we could cite dozens of statistics and anecdotes (linerboard, rail cars, consumer delinquencies, corporate defaults and bankruptcies, etc.) we will limit ourselves to ***four*** extremely high-pedigree recession indicators.

First, the Conference Board's Leading Economic Indicators Index (LEI) fell 0.4% m/m in July, its ***16th consecutive monthly decline***, the longest such streak since June 2007 through April 2008. As shown in Figure 7, on the following page, such a precipitous decline has ***always*** been accompanied by recession. Not even close. For those interested, we have listed in our addenda table the full list of LEI components. They can't all be wrong.

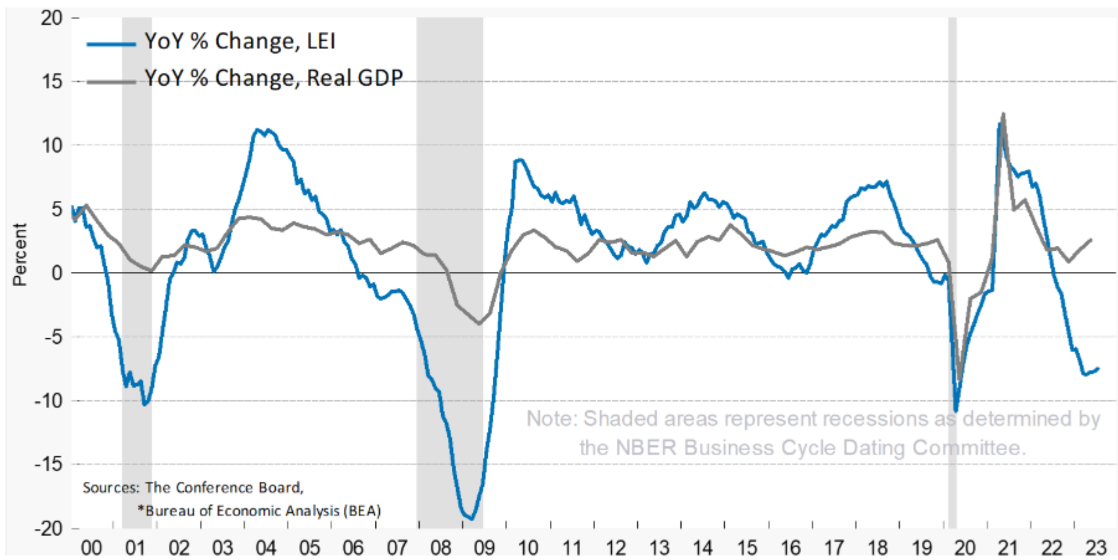

Figure 7: Year/Year Percentage Change of Conference Board Leading Economic Index vs. Real GDP (2000-July 2023) [Bureau of Economic Analysis; The Conference Board]

Second, we have all read countless interpretations of the inverted yield curve. Suffice it to say, consensus cannot even agree on which part of the yield curve matters in measuring inversion, much less on which arguments are relevant in determining inversion's significance. Figure 8, below, captures our perspective that today's inversion debate is missing the forest through the trees. Through 8/31/23, the 2-yr/10-yr Treasury curve has now been inverted for ***291 business days*** (purple oval), the ***longest*** inversion since August 1978-May 1980 (green oval), and the ***steepest*** inversion since October 1981 (red arrow). If investors are convinced there are extenuating circumstances making today's inverted curve less troublesome than it appears, more power to them. In our view, there are lots of explanations and implications and they are all bad. This type of inversion has ***always*** been followed by recession and this time will be no different.

Figure 8: 2-Year/10-Year Generic Treasury Spread (1/1/78-8/31/23) [Bloomberg]

Third, federal tax receipts and total federal receipts rarely experience quarterly decline, but since 1980 whenever both have declined for two or more consecutive quarters, a recession has ensued. As shown in Figure 9, below, federal tax receipts (orange line) have now declined from $3.219 trillion in Q3 2022 to $2.943 trillion in Q2 2023 (-$276 billion). Over the same span, total federal receipts (blue line) have declined from $5.047 trillion to $4.787 trillion (-$260 billion). While these declines may seem unremarkable on the surface, their implication is ominous—such declines have ***always*** been accompanied by recession.

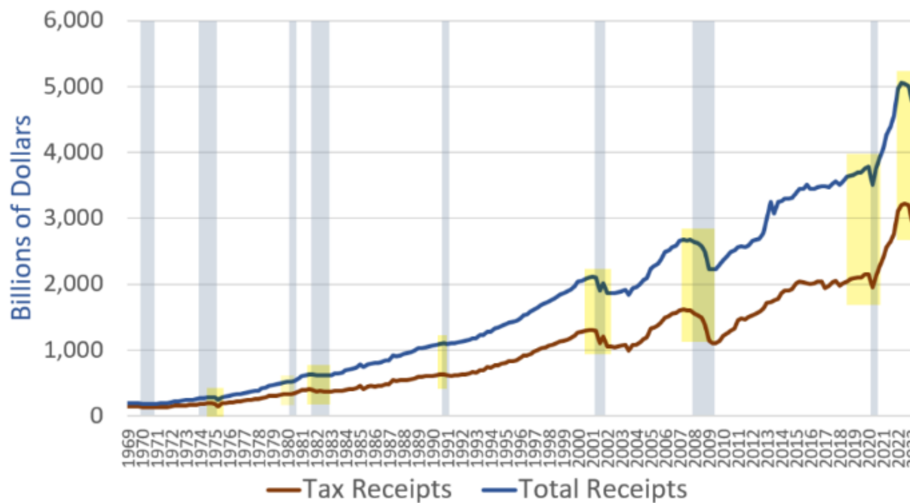

Figure 9: Quarterly Federal Tax Receipts and Total Receipts (1969-Q2 2023) [Bureau of Economic Analysis]

Fourth, a corollary line of analysis holds that the BEA's Gross Domestic Income measure is actually a timelier measure of recession than Gross Domestic Product. When the economy is entering a classic declining-demand recession, it is logical that incomes will decline ahead of production which ***reacts*** to the downturn in demand. Q2 2023 marked the ***third consecutive quarter of GDI decline***, opening up gaping divergence from GDP. In Figure 10, below, MacroStrategy tracks three-quarter annualized change of GDP (red line) and GDI (blue line) to emphasize the leading nature of GDI as an indicator. The current gap between GDI (-1.56%) and GDP (+2.21%) is the widest since immediately prior to the 2008 GFC recession. ***Yikes!***

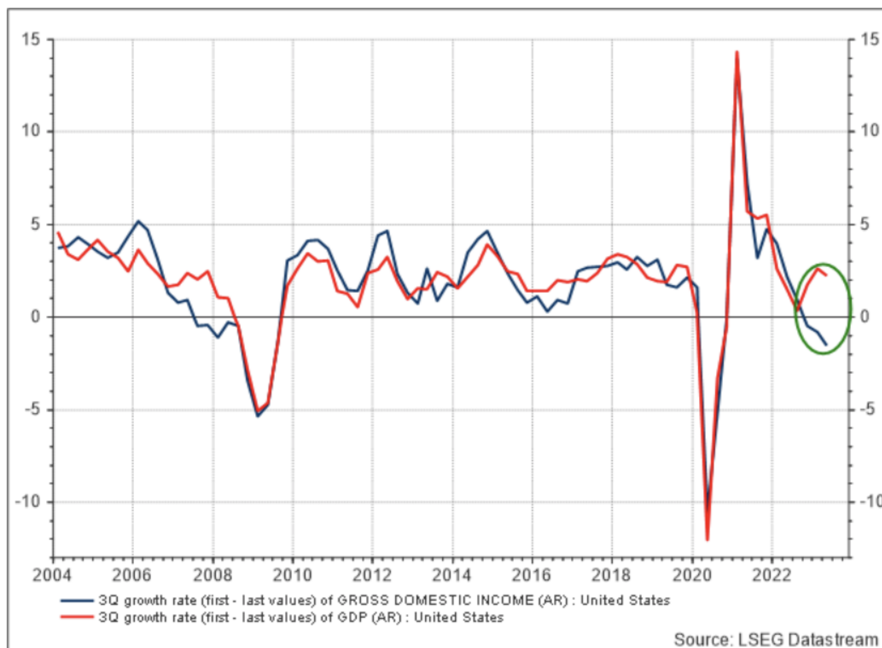

Figure 10: Real Gross Domestic Income vs. Real Gross Domestic Product (Three-Quarter Annualized Growth Rates 2004-Q2 2023) [Bureau of Economic Analysis; MacroStrategy]

Conclusions

The biggest financial event of 2023 has been the recession that never arrived. Growing consensus now believes the combination of a resilient domestic economy, ample systemic liquidity and well-calibrated Fed policy has vastly diminished likelihood for U.S. recession. Market bulls feel exonerated—the U.S. economy ***can*** handle normalized rates after all. Well, as we have argued in this report, we could not disagree more with these conclusions. We have highlighted several financial anomalies which appear to be extending the lags inherent in Fed policy tightening by temporarily insulating the U.S. economy from traditional mechanisms of Fed rate hikes.

While we are as surprised as anyone that the U.S. economy has so far avoided recession, this does not diminish our confidence that hard landing is not only inevitable but fast approaching. Supporting our point of view, the most historically significant recession indicators, such as declining LEI, inverted yield curve, falling tax receipts and negative GDI divergence, are flashing in bright red unison.

Below headlines of AI-infused ebullience in equity markets, Fed rate hikes are already imposing significant economic and financial tolls. For example, while ***real*** GDP remains modestly positive, ***nominal*** GDP has now declined for four consecutive quarters, more than halving from 8.5% in Q2 '22 to 4.1% in Q2 '23. We are pretty certain nominal GDP running 140 basis points below fed funds is an untenable situation which simply cannot continue. Something has to give.

Similarly, the vocal optimism of equity investors has overshadowed quieter gloom in fixed income circles. Fed rate hikes have severely kneecapped U.S. Treasury markets which are now enduring their third straight year of pain. Bank of America Strategist Michael Hartnett raised eyebrows in his 8/31/23 report *Not Since 1787*, in observing the 10-year Treasury note (down 0.3% ytd) is on course for its third consecutive annual decline, something that has never before happened in the 250-year history of the U.S. Republic. As examples of collateral damage (Figure 11, below), the $40 billion iShares 20+ Year Treasury ETF (TLT) and the $28 billion iShares 7-10 Year Treasury ETF (IEF) have posted steep losses for 2 2/3 years running. These figures look pretty hard to us.

Year	TLT	IEF
2021	**-4.60%**	**-3.33%**
2022	**-31.24%**	**-15.16%**
2023 ytd	**-1.14%**	**-0.50%**
Cumulative	**-35.20%**	**-18.40%**

Figure 11: Performance of iShares 20+ Year Treasury ETF (TLT) & iShares 7-10 Year Treasury ETF (IEF) (2021-August 2023) [Bloomberg]

Given our study of malinvestment inherent in 13 years of QE and ZIRP, we anticipate significant turbulence in asset markets during the next six-to-twelve months as full impacts of Fed rate hikes hit home in an overleveraged U.S. economy. Specifically, we suspect equity markets are about to share the recent pain of fixed-income investors. In our experience, gold generally performs well when faith in U.S. financial assets is recalibrating downward. During the past three significant corrections in the S&P 500 (***-50.5%*** '00-'02; ***-57.7%*** '07-'09; ***-35.4%*** Feb-Mar '20), gold provided unparalleled protection of real purchasing power in all global currencies. We believe the next correction in U.S. equities will prove no different.

We have mentioned that during Fed tightening cycles gold performs best when markets sense Fed rate hikes are about to break something. Along these lines, we offer one final observation about gold's recent relative strength in the face of multi-decade interest rate highs. While precise timing of recession is always a matter of hindsight, it is interesting to note that gold has historically outperformed other asset classes from the very onset of recession. Bloomberg Macro Strategist Simon White studied the seven U.S. recessions back to 1973 to produce the analysis in Figure 12, below. It turns out that on average, for at least the first seven months following onset of recession, gold significantly outperformed stocks, commodities, corporate debt and U.S. Treasuries.

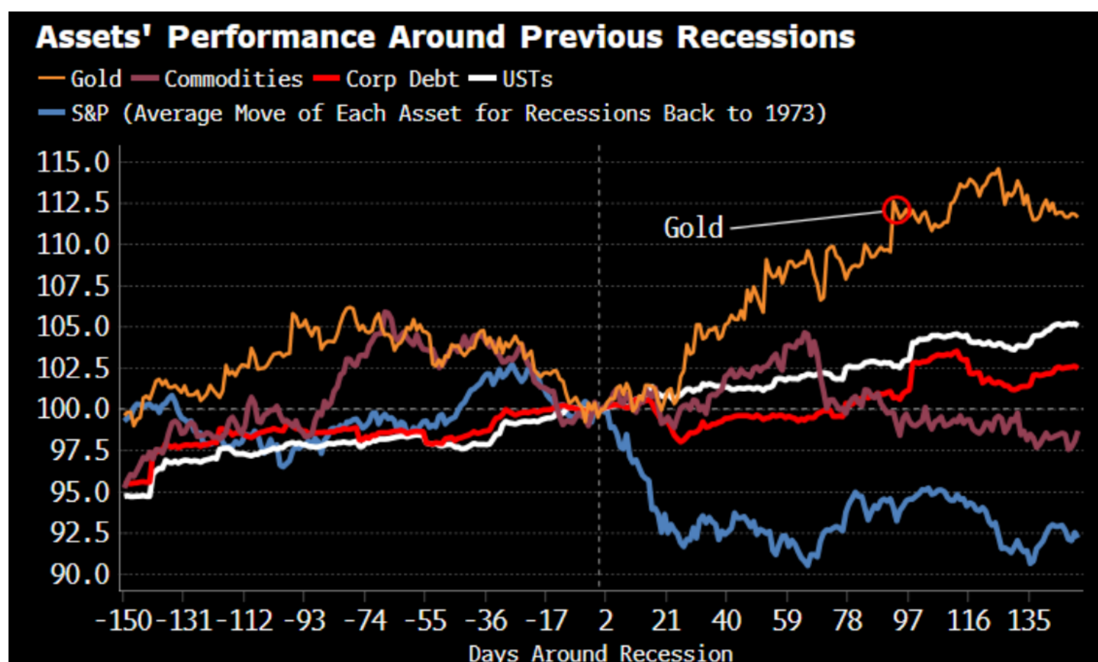

Figure 12: Average Performance of Spot Gold, S&P 500 Index, Bloomberg Commodity Index (BCOM), Bloomberg Corporate Index (LUACTRUU), & Bloomberg Treasury Index (LGTRTRUU) During Past Seven U.S. Recessions (150 Business Days Prior & Post Onset of Recession) [Bloomberg; Simon White]

For investors remaining in the hard-landing camp, it appears the time is ripe for careful consideration of increasing portfolio commitments to gold!

Sincerely,

Trey Reik
Managing Member
Bristol Gold Group LLC
(203) 722 9160

Addenda Table

1.) Average weekly hours in manufacturing

2.) Average weekly initial claims for unemployment insurance

3.) Manufacturers' new orders for consumer goods and materials

4.) ISM Index of New Orders

5.) Manufacturers' new orders for nondefense capital goods ex-aircraft

6.) Building permits for new private housing units

7.) S&P 500 Index of Stock Prices

8.) Leading Credit Index

9.) Interest rate spread (10-year Treasury minus federal funds rate)

10.) Average consumer expectations for business conditions

Figure 13: Components of The Conference Board Leading Economic Index (2023) [The Conference Board]

Dollar Sentiment Quotes

Chris Wallace: So, are you basically saying that once you get to $999 million, that the government should confiscate all the rest?
Senator Sanders: Yeah. I think People can make it on $999 million.
Chris Wallace: Which would mean that all these billions of dollars, basically, it all goes to the government?
Senator Sanders: Do I think people who work hard, create new businesses should become rich? I do. Do I think they should have $50 billion or $100 billion when you have got half a million people who are homeless in America today, when you have 85 million people who can't afford health insurance? No, I don't. Bernie Sanders, U.S. Senator (I-Vermont), 4/28/23

We are assuming a material worsening of labor markets with the unemployment rate rising from today's very low levels to above 5% by the end of 2023…We are also assuming adverse effects from inflation and some further worsening of consumer profiles from the flip side of their extraordinary outperformance in the earlier period during the pandemic.
Richard Fairbank, Chief Executive Officer, Capital One, 4/28/23

The fiscal recklessness of the last decade has been like watching a horror movie unfold…unfortunately, by still owning a large amount of government debt, the Fed continues to create the false illusion that it can help with our fiscal problems…[but] at the first sign of trouble, the Fed last month, and in just four days, undid most of the small progress they had made in reducing their balance sheet.. This asymmetric Fed response is what feeds the lack of serious structural action in D.C. from both sides of the aisle. Stanley Druckenmiller, Founder, Duquesne Family Office, 5/1/23

The majority of our businesses will report lower earnings this year than last…[Currency in circulation] is one of the most interesting figures [on] the Federal Reserve balance sheet. [It] has gone from $800 billion to $2.2 trillion and most of that's in $100 bills overwhelmingly…I would really like to know where all of that is. Anyone who thinks cash is trash ought to look at the Federal Reserve balance sheet. It is just astounding the way $100 bills have spread. Believe me, cash is not trash! Warren Buffett, Chief Executive Officer, Berkshire Hathaway, 5/7/23

Value investors are going to have a harder time now that there's so many of them competing for a diminished bunch of opportunities. My advice to value investors is get used to making less. Charlie Munger, Vice Chair, Berkshire Hathaway, 5/7/23

When you have free money, people do stupid things. When you have free money for 11 years, people do really stupid things. So there's stuff under the hood—it's starting to emerge. Obviously, the regional banks recently, we had Bed, Bath and Beyond. But I would assume there's a lot more bodies coming… It's a scary cocktail that we're being presented with. It's naïve not to be open-minded to something really bad happening. This constant repeating that this looks nothing like '08 or '07. First of all, those who are saying it, I don't remember them predicting in 2007 what was ahead of them and I don't remember people saying the banking system was weak going in…I'm in gold and silver right now. They historically have done well in hard landings…[but] I'm betting for the time being I'm betting against the history of silver and gold in hard landings. I could be wrong. Stanley Druckenmiller, Founder, Duquesne Capital, 5/9/23

The Federal Reserve has mostly done a good job of taking responsibility for its role in the US regional bank crisis. But there's still one area where it falls short: ***recognizing its failure to flag the risks that rising interest rates would pose for the financial system***. The Fed's review of the Silicon Valley Bank failure is unusually frank. It pointedly concludes that bank supervisors didn't 'fully appreciate the extent of the vulnerabilities,' that they didn't 'take sufficient steps to ensure' that the problems were fixed quickly enough, and that top officials 'impeded effective supervision by reducing standards, increasing complexity and promoting a less assertive supervisory approach.' Yet the Fed's evaluation should be broader. Specifically, it should explain why the central bank's financial stability monitoring ***didn't identify the danger created by its monetary policy choices***, which resulted in the sharpest and largest increase in interest rates since the early 1980s.
Bill Dudley, Former President, Federal Reserve Bank of New York, 5/10/23

I'm not going to call it a bubble, but I personally wouldn't be buying a 10-year sovereign debt anywhere in the world… I think it's going to get worse for banks — more regulations, more rules, and more requirements. If you overdo certain rules, requirements, regulations — there are some of these community banks that tell me they have more compliance people than loan officers…We need to finish the bank crisis. Whatever the FDIC, the OCC, the Fed — whatever they need to do to make it better they should do…I think there needs to be humility on the part of regulators. They should look at it and say, 'OK, we were a little bit a part of the problem,' as opposed to just pointing fingers.
Jamie Dimon, Chief Executive Officer, JPMorgan Chase, 5/11/23

Is inflation still too high? Yes. Has the current disinflation been uneven and slower than any of us would like? Yes. But my reading of this evidence is that we are doing what is necessary or expected of us [so we are] on track…Monetary policy is now at the low end of what is arguably sufficiently restrictive given current macroeconomic conditions, [but] the bad news for hawks in the room is, you are barely in the [restrictive] zone.
James Bullard, President, Federal Reserve Bank of St. Louis [2025 FOMC Voter], 5/14/23

I think it's far too premature to be talking about rate cuts and premature to be saying—even for the next meeting—are we going to pause? Are we going to raise? Are we going to cut. We've got to get as much data as we can, and it behooves us—at a moment where we follow the strangest business cycle in history, with one of the strangest credit conditions that we've seen in decades—we've got to look at a lot more measures than just unemployment, inflation and wages in the kind of the conventional box of numbers that we looked at in the past. I haven't committed or decided anything.

Austan Goolsbee, President, Federal Reserve Bank of Chicago [2023 FOMC Voter], 5/16/23

History shows that monetary policy works with long and variable lags, and that a year is not a long enough period for demand to feel the full effect of higher interest rates…Inflation is too high, and we have not yet made sufficient progress on reducing it. ***Outside of energy and food, the progress on inflation remains a challenge.***

Philip Jefferson, Governor, Federal Reserve [Permanent FOMC Voter], 5/18/23

We've come a long way in policy tightening and the stance of policy is restrictive and we face uncertainty about the lagged effects of our tightening so far and about the extent of credit tightening from recent banking stresses. Having come this far, we can afford to look at the data and the evolving outlook to make careful assessments…***While the financial stability tools helped to calm conditions in the banking sector, developments there on the other hand are contributing to tighter credit conditions and are likely to weigh on economic growth, hiring and inflation.*** As a result, our policy rate may not need to rise as much as it would have otherwise to achieve our goals. Of course, the extent of that is highly uncertain.

Jerome Powell, Chair, Federal Reserve [Permanent FOMC Voter], 5/19/23

People are now going to be scratching their head — why did they guide the market so strongly towards a skip ahead of this report and ahead of the next CPI…Thinking that one month of data is going to make a huge difference is, I think, fooling yourself, but they have framed it that way — and it's a shame. We're all now discussing is it a skip, is it a pause when there's such bigger issues involved. And that's the risk of being excessively data-dependent, is that you get stuck in a sort of smaller and smaller corner and the data will pin you there…The risk of yet another policy error, I fear, is quite high.

Mohamed El-Erian, Chief Economic Advisor, Allianz, 6/2/23

China has some legitimate difficulties unrelated to the United States. I think one of the things that balloon caused was not so much that it got shot down, but I don't think the leadership knew where it was and knew what was in it and knew what was going on. I think it was more embarrassing than intentional. Joe Biden, President, United Sates, 6/17/23

It's safe to say that state-to-state interactions should always be based on mutual respect and sincerity. I hope that through this visit, Mr. Secretary [Blinkin], you will make more positive contributions to stabilizing China-U.S. relations…Neither side should try to shape the other side by its own will, still less deprive the other side of its legitimate right to development.

Xi Jinping, President, People's Republic of China, 6/19/23

We do not support Taiwan independence. We remain opposed to any unilateral changes to the status quo by either side.

Antony Blinkin, U.S. Secretary of State, 6/19/23

That's what's a great embarrassment for dictators, when they didn't know what happened. That [spy balloon] wasn't supposed to be going where it was. It was blown off course up through Alaska and then down through the United States. And he didn't know about it. When it got shot down, he was very embarrassed. He denied it was even there.

Joe Biden, President, United Sates, 6/20/23

It [Biden comments] is a blatant political provocation. China expresses strong dissatisfaction and opposition. The U.S. remarks are extremely absurd and irresponsible...The U.S. should have handled it [spy balloon] in a calm and professional manner. However, the U.S. distorted facts and used forces to hype up the incident, fully revealing its nature of bullying and hegemony. Mao Ning, Deputy Director of Information, Ministry of Foreign Affairs, People's Republic of China, 6/21/23

Don't worry about China. I mean, worry about China, but don't worry about China. No, but I really mean it. China is real — has real economic difficulties. And the reason why Xi Jinping got very upset in terms of when I shot that balloon down with two boxcars full of spy equipment in it is he didn't know it was there. No, I'm serious. That's what's a great embarrassment for dictators, when they didn't know what happened. That wasn't supposed to be going where it was. It was blown off course up through Alaska and then down through the United States. And he didn't know about it. When it got shot down, he was very embarrassed. He denied it was even there. Joe Biden, President, United Sates, 6/22/23

Biden's big mouth is a loose cannon. Mutual trust is what China has been stressing, so Biden's comments are very destructive and damaging. Wu Xinbo, Director, Center for American Studies, Fudan University, People's Republic of China, 6/22/23

With respect to the comments, I think President Biden and I both believe it's critical to maintain communication…to clear up misperceptions, miscalculations. We need to work together. Janet Yellen, Secretary, U.S. Treasury, 6/22/23

Inflation pressures continue to run high, and the process of getting inflation back down to 2 percent has a long way to go…***Nearly all [FOMC members] expect that it will be appropriate to raise interest rates somewhat further by the end of the year***…Earlier in the process, ***speed*** was very important. It is not very important now."

Jerome Powell, Chair, Federal Reserve [Permanent FOMC Voter], 6/21/23

The bar to justify further rate hikes is higher than it was a few months ago…Letting restrictive policy work for a while is prudent because the policy has been truly restrictive for less than a year, and it takes time for monetary policy changes to meaningfully influence economic activity. We have good reasons to expect our policy tightening will be increasingly effective in coming months, which would accelerate progress to that end...My baseline is that we should stay at this level for the rest of the year. Raphael Bostic, President, Federal Reserve Bank of Atlanta [2024 FOMC Voter], 6/21/23

[We are in] 'wait and see' mode. If you don't see [inflation] progress, that is an answer. If you do see progress, that is also an answer…I am a data dog. We need to do more sniffing.

Austan Goolsbee, President, Federal Reserve Bank of Chicago [2023 FOMC Voter], 6/21/22

We're at least close to where we think our destination is and it only makes common sense to move at a careful pace…We don't want to do more than we have to. ***Overwhelmingly people on the Committee do think that there's more rate hikes coming*** but we want to make them at a pace that allows us to see incoming information.

Jerome Powell, Chair, Federal Reserve [Permanent FOMC Voter], 6/22/23

The stance of U.S. monetary policy has tightened significantly starting in March 2022. At the same time, the share of nonfinancial firms in financial distress has reached a level that is higher than during most previous tightening episodes since the 1970s...With the share of distressed firms currently standing at around 37 percent, our estimates suggest that the recent policy tightening is likely to have effects on investment, employment, and aggregate activity that are stronger than in most tightening episodes since the late 1970s. The effects in our analysis peak around 1 or 2 years after the shock, suggesting that these effects might be most noticeable in 2023 and 2024.

Ander Perez-Orive & Yannick Timmer, FEDS Notes, Board of Governors, Federal Reserve, 6/23/23

The global inflation surge that began in 2021 has started to subside. But, in most countries, inflation remains far too high. Much of the progress in lowering inflation has come from easy wins, like falling commodity prices and normalizing supply chains. The 'last mile' of returning inflation to target will be harder…

Tighter monetary policy was necessary, but not painless. Business models that relied on low-for-long interest rates felt the strain. Bank closures in early 2023 were the most striking example, but far from the only ones. As the structural forces that held down inflation in recent decades subside, interest rates may need to stay higher for longer. In the coming years, economies must rely on supply side reforms, rather than monetary and fiscal stimulus, to drive sustainable growth…

The global economy is at a critical juncture. Stern challenges must be addressed…The time to obsessively pursue short term growth is past. Monetary policy must now restore price stability. Fiscal policy must consolidate…Central banks will get inflation under control. That is their job, to restore price stability. The question is what will the cost be.

Agustin Carstens, General Manager, Bank for International Settlements, 6/25/23

It's not clear that monetary policy actions play a central role in affecting the emergence of financial stability vulnerabilities…***Restoring price stability is of paramount importance*** because it is the foundation of sustained economic and financial stability. Price stability is not an 'either/or.' It is a 'must have.'

John Williams, President, Federal Reserve Bank of New York [Permanent FOMC Voter], 6/26/23

Although policy is restrictive it may not be restrictive enough…The bottom line is that ***policy hasn't been restrictive enough for long enough*** to see those effects (lower service inflation)…so we believe there's more restriction coming.

Jerome Powell, Chair, Federal Reserve [Permanent FOMC Voter], 6/28/23

A strong majority of committee participants expect that it will be appropriate to raise interest rates two or more times by the end of the year. Inflation pressures continue to run high, and the process of getting inflation back down to 2% has a long way to go…We see the effects of our policy tightening on demand in the most interest rate-sensitive sectors of the economy, particularly housing and investment. It will take time, however, for the full effects of monetary restraint to be realized, especially on inflation. Jerome Powell, Chair, Federal Reserve [Permanent FOMC Voter], 6/29/23

Through the second half of the [2024] year, there's good reason to expect those [inflation] numbers to continue to improve — the policies are already in place. There's every reason to think it's possible that a pace in a range around 2% or slightly above 2% could be hit before the election. Lael Brainard, Director, National Economic Council, 6/29/23

Yields on long-term US Treasury securities have risen, and prices have fallen, farther and faster over the past few years than at any time since the 1980s. This has wreaked no small amount of havoc — contributing, for example, to the recent demise of several regional banks. I have what might be disconcerting news: It's not over. Since last fall, the 10-year Treasury yield has remained in a narrow range near its current level of 3.75%. There's little reason for it to stay there, and many reasons to expect it to move considerably higher…

How high, then, might Treasury yields go? Let's put together the pieces. Suppose the Fed's short-term interest-rate target, adjusted for inflation, averages about 1% over the next decade. Inflation averages 2.5%, and the bond risk premium is one percentage point. In sum, this suggests a 10-year Treasury note yield of 4.5%. And that's a conservative estimate: Given historical neutral short-term rates, the recent persistence of inflation and the troubling US fiscal trajectory, all three elements could easily go higher. Bill Dudley, Former President, Federal Reserve Bank of New York, 6/29/23

I remain very concerned about whether inflation will return to target in a sustainable and timely way. ***I think more-restrictive monetary policy will be needed to achieve the Federal Open Market Committee's goals of stable prices and maximum employment***...Some people say a lot of further cooling is in store from lagged consequences of the rate increases the FOMC has already made over the past year and a half. I'm skeptical about the potential for large additional effects from this channel. Lorie Logan, President, Federal Reserve Bank of Dallas [2023 FOMC Voter], 7/6/23

We're getting to a more sustainable [jobs] pace, which is what we need to do for inflation. The Fed's overriding goal right now is to get inflation down — we're going to succeed at it. ***And to do that without a recession would be a triumph, and that's the golden path — and I feel like we're on that golden path.***

Austan Goolsbee, President, Federal Reserve Bank of Chicago [2023 FOMC Voter], 7/7/23

I have the view that we can be patient — our policy right now is clearly in the restrictive territory. We continue to see signs that the economy is slowing down, which tells me the restrictiveness is working…Inflation is still moving steadily back to target. I am comfortable being patient. Raphael Bostic, President, Federal Reserve Bank of Atlanta [2024 FOMC Voter], 7/10/23

Companies are taking reserves against interest-sensitive pockets of the market like commercial real estate, for example. But they're saying they'll need those reserves even if there is a soft landing. So, it's not necessarily reserves in the case of a worst-case downturn, but it's reserves even if we kind of get an OK outcome.

Amanda Lynam, Head, Macro Credit Research, Blackrock, 7/19/23

There's no question that the Fed has reacted dramatically to try to slow the economy down — quite late, obviously — and that has impacted real estate values. Yields on properties are moving up to reflect this higher interest rate. And the supply of credit to the industry has [been] curtailed dramatically.

I'm empathetic to the situation of Jerome Powell. We had to increase rates. We should have done that much earlier. Powell shouldn't have had negative interest rates. He shouldn't have been buying mortgages into May of '22. That should have stopped so much earlier.

But when he finally stopped, he went in the other direction, and he went so far so fast. And I'm saying, 'Just wait. Wait to see the impact of what you've done.' Because, like, the real estate complex, we don't explode overnight. We explode in a series of explosions over the next year and a half as loans mature and people can't pay them off…

We're in a Category 5 hurricane. It's sort of a blackout hovering over the entire industry until we get some relief or some understanding of what the Fed's going to do over the longer term…You could see a second RTC [Resolution Trust Corp.]. You could see 400 or 500 banks that could fail. Barry Sternlicht, Chairman, Starwood Capital Group, 7/20/23

The staff now has a noticeable slowdown in growth starting later this year in the forecast, but given the resilience of the economy recently, ***they are no longer forecasting a recession***…My base case is that we will be able to achieve inflation moving back down to our target without a really significant downturn that results in high levels of job losses…But it's a long way to be sure and we have a lot left. Reducing inflation is likely to require a period of below trend growth and some softening of labor market conditions…It is certainly possible that we would raise the funds rate again at the September meeting if the data warranted, and I would also say it is possible that we would choose to hold steady at that meeting.

Jerome Powell, Chair, Federal Reserve [Permanent FOMC Voter], 7/26/23

The economy continues to surprise how resilient it is…***The base case scenario seems to be that we'll have a slowing economy, but that we would avoid a recession.***

Neel Kashkari, President, Federal Reserve Bank of Minneapolis [2023 FOMC Voter], 7/30/23

I haven't made up my mind for what should happen in September. But this golden [soft landing] path — which so far, we're sticking on that line — that would be a triumph, and it's certainly a possibility at this point…We'll get several more major data points before the next meeting, but it's looking like we're walking the line pretty well.
Austan Goolsbee, President, Federal Reserve Bank of Chicago [2023 FOMC Voter], 7/31/23

We're in a very prime place where we think gold ownership and long allocation to gold and silver is something that acts as both a late cycle diversifier and something that will perform as we look to the next 12, 18 months.
Greg Shearer, Executive Director, Global Commodities Research, JP Morgan, 7/31/23

We have seen progress for a short period before, like last summer, and that proved to be false improvements…There are two components [core goods and housing] that over the next three to six months…if we are to succeed to stay on the golden path, we've got to see progress on those two parts of inflation…***I'm guardedly optimistic that we can stick on the golden path***, because the Covid business cycle was so different from Covid than previous business cycles, and the recovery has looked nothing like previous recoveries. There are lessons from past business cycles but they're limited — they're cousins but not siblings. Austan Goolsbee, President, Federal Reserve Bank of Chicago [2023 FOMC Voter], 7/31/23

With $32 trillion of [federal] debt and large deficits as far as the eye can see and higher refi rates, an increasing [Treasury] supply is assured. ***It is hard to imagine how the market absorbs such a large increase in supply without materially higher rates.*** Bill Ackman, Founder, Pershing Square Capital Management, 8/2/23

Fitch's [downgrade] decision is puzzling in light of the economic strength we see in the United States. ***I strongly disagree with Fitch's decision, and I believe it is entirely unwarranted.*** Its flawed assessment is based on outdated data and fails to reflect improvements across a range of indicators, including those related to governance, that we've seen over the past two and a half years. Despite the gridlock, we have seen both parties come together to pass legislation to resolve the debt limit, as well as to make historic investments in our infrastructure and American competitiveness. Fiscal responsibility is a priority for President Biden and me. Janet Yellen, Secretary, U.S. Treasury, 8/2/23

Our [U.S.] fiscal trajectory is concerning. We're a rich country and we've got time to deal with it. But we need to do some things in the next few years to change that trajectory…The longer we wait, the more painful the solution will be. It's going to take doing things on both the spending side and the revenue side. We're going to need more revenues. And we're going to need to figure out how to deal with some difficult issues in areas like the entitlements.
Hank Paulson, Former Secretary, U.S. Treasury, 8/2/23

There is still a plausible story that inflation normalizes in short order and the economy dodges additional trauma. Certainly, last month's inflation read [July] was a good one and I hope it is a sign. To be sure, the Fed's objective is not to cause a recession; it's to reduce inflation, in line with our mandate.
Thomas Barkin, President, Federal Reserve Bank of Richmond [2024 FOMC Voter], 8/3/23

I expected the economy to slow down in a fairly orderly way, and this [July payroll] number—187,000—comes in continuing that pace. I'm comfortable…***We are today in a restrictive stance, and as inflation continues to fall, the degree to which it's restrictive actually grows*** as that gap between the inflation rate and our interest rate widens. So, I think that will put enough constraint on the economy that it will continue to slow. But again, I'm not expecting this to be a two-month or a three-month period. My outlook is that we'll still be in a restrictive territory, well into 2024, and it'll just take a while. Raphael Bostic, President, Federal Reserve Bank of Atlanta [2024 FOMC Voter], 8/4/23

The debate is really about: Do we need to do another rate increase? Or not? I think we're pretty close to what a peak rate would be. John Williams, President, Federal Reserve Bank of New York [Permanent FOMC Voter], 8/7/23

I supported raising the federal funds rate at our July meeting and I also expect that additional rate increases will likely be needed to get inflation on a path down to the FOMC's 2% target…The recent lower inflation reading was positive, but I will be looking for consistent evidence that inflation is on a meaningful path down toward our 2% goal as I consider further rate increases and how long the federal funds rate will need to remain at a restrictive level. I will also be watching for signs of slowing in consumer spending and signs that labor market conditions are loosening.
Michelle Bowman, Governor, Federal Reserve [Permanent FOMC Voter], 8/7/23

There has been significant progress in the battle. Inflation is well off of its highs that we saw in the last year. And recent numbers have come in promising in ways that suggest that we might be seeing continued declines…In terms of policy, I think all of these facts argue for us being cautious, patient and resolute…***I think we are in a phase now where there is some risk of us overtightening.*** And so, we've just got to have that in mind. If we can be appropriately cautious, I think we have the opportunity to minimize the damage that we see on the employment side.
Raphael Bostic, President, Federal Reserve Bank of Atlanta [2024 FOMC Voter], 8/7/23

Absent any alarming new data between now and mid-September, ***I believe we may be at the point where we can be patient and hold rates steady*** and let the monetary policy actions we have taken do their work…The pandemic taught us to never say never, but ***I do not foresee any likely circumstance for an immediate easing of the policy rate***…In sum, I expect a modest slowdown in economic activity to go along with a slow but sure disinflation.

Patrick Harker, President, Federal Reserve Bank of Philadelphia [2023 FOMC Voter], 8/8/23

My message to Congress is this: This is the strongest bill you can pass to lower inflation, cut the deficit, reduce healthcare costs, tackle the climate crisis, and promote energy security, all the time while reducing the burdens facing working-class and middle-class families. Joe Biden, President, United States, **7/28/22**

Exactly four weeks ago today, I signed the Inflation Reduction Act into law, the single most important legislation passed in the Congress to combat inflation… After all, this bill cut costs for families, helped reduce inflation at the kitchen table, because that's what they look at — how much are their monthly bills and how much do they have to pay out for their necessities. Joe Biden, President, United States, **9/13/22**

The Inflation Reduction Act—I wish I hadn't called it that. It has less to do with reducing inflation than it does providing for alternatives that generate economic growth. And so, we're now in a situation where if you look at what we're doing in the Inflation Reduction Act, we're literally reducing the cost of people being able to...meet their basic needs. Joe Biden, President, United States, **8/14/23**

One year ago, President Biden signed the Inflation Reduction Act into law…With the Inflation Reduction Act, we are delivering on what I call "modern supply-side" economics: a policy framework that animates much of Bidenomics. It includes government investment to mobilize private capital, spurring economic growth and helping the U.S. reach its climate goals…

I am seeing these green shoots emerge around the country...The law requires companies to pay prevailing wages and abide by apprenticeship requirements to reap the full value of many of its incentives. The law promotes investment in low-income communities and those historically dependent on fossil-fuel jobs and revenue…

The Inflation Reduction Act is also strengthening our economic resilience…Building a clean-energy economy means reducing U.S. dependence on fossil fuels and exposure to the autocratic regimes that control them, providing greater certainty for families and businesses on their energy costs. The Inflation Reduction Act aims to make this transition easier for households through cost savings on electric vehicles, heat pumps and other energy-efficient appliances…

The Inflation Reduction Act is a turning point in the national effort to preserve the planet and to shape a prosperous, inclusive and resilient economic future. Janet Yellen, Secretary, U.S. Treasury, 8/15/23

Several participants commented that significant disinflationary pressures had yet to become apparent in the prices of core services excluding housing…***Most participants continued to see significant upside risks to inflation, which could require further tightening of monetary policy.*** July FOMC Meeting Minutes, released 8/16/23

This fall, I believe it's going to be a very difficult holiday season, certainly challenging for most retailers. ***Every report we hear from retailers out there is that consumers are stressed, they're reluctant to buy goods.*** They are spending money on services still, some of that pandemic revenge, but when you adjust for inflation, ***sales of physical products are actually down for 11 straight months***…Not only do consumers face inflation, but they have to pay the rising interest rates any time they buy a capital good, a car, their home, whatever it might be. Additionally, credit card debt is rising, showing that they're going into very high-interest credit cards. And by the way, as rates rise, the credit card debt rate rises. And so they're spending the most expensive capital that they can get to buy what they need to buy in their life. And then finally, we're facing that cliff in student loans. Gerald Storch, Former Chief Executive Officer, Toys "R" Us, 8/19/23

It's [inflation] far from solved…***I think we're in a period of stagflation right now where you basically have low growth and a lot of inflation.*** And I can tell you, we see the needs of the American people every day on Twitter, now X. And I can tell you, people are struggling more than ever to meet shelter costs, medicine cost. Inflation hasn't gone away, and I think we're in the first inning. Bill Pulte, Chief Executive Officer, Pulte Capital, 8/19/23

We may need additional increments, and we may be very near a place where we can hold for a substantial amount of time. I do think it's extremely likely that we will need to hold for a substantial amount of time but exactly where the peak is, I would not signal right at this point. Susan Collins, President, Federal Reserve Bank of Boston [2025 FOMC Voter], 8/24/23

We are attentive to signs that the economy may not be cooling as expected. So far this year, GDP growth has come in above expectations and above its longer-run trend, and recent readings on consumer spending have been especially robust. In addition, after decelerating sharply over the past 18 months, the housing sector is showing signs of picking back up. Additional evidence of persistently above-trend growth could put further progress on inflation at risk and could warrant further tightening of monetary policy...

Additional evidence of persistently above-trend growth could put further progress on inflation at risk and could warrant further tightening of monetary policy…Two percent is and will remain our inflation target. We are committed to achieving and sustaining a stance of monetary policy that is sufficiently restrictive to bring inflation down to that level over time… We cannot identify with certainty the neutral rate of interest, and thus there is always uncertainty about the precise level of monetary policy restraint. Jerome Powell, Chair, Federal Reserve [Permanent FOMC Voter], 8/25/23

At this point, we really need to see inflation moving down, and we're seeing early signs. But I want to keep rates where they are right now and then we'll decide later what we do. I'm in the camp of keeping the pressure on, not increasing it. ***We're clearly going to hold through the end of the year***…Others may disagree with that.
Patrick Harker, President, Federal Reserve Bank of Philadelphia [2023 FOMC Voter], 8/25/23

Under-tightening would be a worse mistake than over-tightening a little bit because we can course-correct that. We're going to stay the course in terms of our monetary policy, making sure that we are restrictive enough so that inflation comes back down. We'll also be evaluating how long to stay restricted as inflation comes down. The real interest rate, — nominal rates, adjusted for inflation — that will actually be tightening, so we're going to be having to watch that as we go forward. Loretta Mester, President, Federal Reserve Bank of Cleveland [2024 FOMC Voter], 8/25/23

It's not normally an option for central banks, that you could get inflation down without a big recession. That'd be a major triumph for the Fed or anybody. It'd be virtually without precedent. But we're part of the way down that road and we've been getting good news. We just have to keep getting good news.
Austan Goolsbee, President, Federal Reserve Bank of Chicago [2023 FOMC Voter], 8/25/23

I think the committee should take a little bit of a victory lap here. It really looks like the 2022 policy, including 75 basis-point hikes four meetings in a row, has a good chance of success.
James Bullard, Former President, Federal Reserve Bank of St. Louis, 8/24/23

I feel policy is appropriately restrictive…We should be cautious and patient and let the restrictive policy continue to influence the economy, lest we risk tightening too much and inflicting unnecessary economic pain, [however] that does not mean I am for easing policy any time soon.
Raphael Bostic, President, Federal Reserve Bank of Atlanta [2024 FOMC Voter], 8/31/23

There is nothing that is saying we need to do anything imminent, anytime soon, so we can just sit there and wait for the data…The way the data is coming in, it is looking pretty good.
Christopher Waller, Governor, Federal Reserve [Permanent FOMC Voter], 9/5/23

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