Outlook themes

- With little sign of easing inflation pressure, monetary policy tightening has accelerated.
- Financial conditions have tightened appreciably.
- But demand remains strong as does the labor market.
Inflation is both high and broad-based

12-month % Change

-4 -2 0 2 4 6 8 10


-4 -2 0 2 4 6 8 10

Inflation Excluding Food and Energy
Headline Inflation
Trimmed Mean Inflation

Note: Inflation measured in terms of CPI

Sources: FRB Dallas, BLS, Haver Analytics
Inflation is a global phenomena

Headline Inflation

- Year/Year % Change
- United States
- Euro Area
- Japan

Core Inflation

- Year/Year % Change
- United States
- Euro Area
- Japan

Sources: BLS, Statistical Office of the European Communities, Ministry of Internal Affairs and Communications, Office of National Statistics, Haver Analytics
Prices increasing for almost all goods and services

Fraction of Items with Prices Declines
Fraction of Items with Prices Increases

Sources: FRB San Francisco, Haver Analytics
Services inflation moving up despite apparent slack

3-month moving average, % change

Note: measured in terms of CPI

Index, Jan 2017 = 100

Sources: BLS, BEA, Haver Analytics
Higher shelter prices adding to services inflation

3-month moving average, % change

Note: measured in terms of CPI

Sources: BLS, S&P, Haver Analytics
Inflation expectations have been moving up

Sources: University of Michigan, Haver Analytics
High inflation provokes faster pace of Fed tightening
Fed hikes tightening financial conditions

Sources: FRB, S&P 500, Haver Analytics

2-Year Treasury Note Yield
10-Year Treasury Note Yield

Trade-Weighted Dollar Index (left)
S&P 500 (right)

Index, Jan-06 = 100

Percent
Index

Sources: FRB, S&P 500, Haver Analytics
Market volatility is high and liquidity is low

Note: measured in terms of Bank of America Merrill Lynch Option Volatility Estimate Index

Sources: Bank of America Merrill Lynch, Haver Analytics, Bloomberg
Demand flattening out, but at a high level

Sources: Census Bureau, Haver Analytics
Labor market remains strong even as participation lags

Sources: BLS, Haver Analytics
Housing showing signs of slowing

30-Year Fixed Mortgage Rate

New 1-Family Homes Sold

Sources: WSJ, Census Bureau, Haver Analytics