

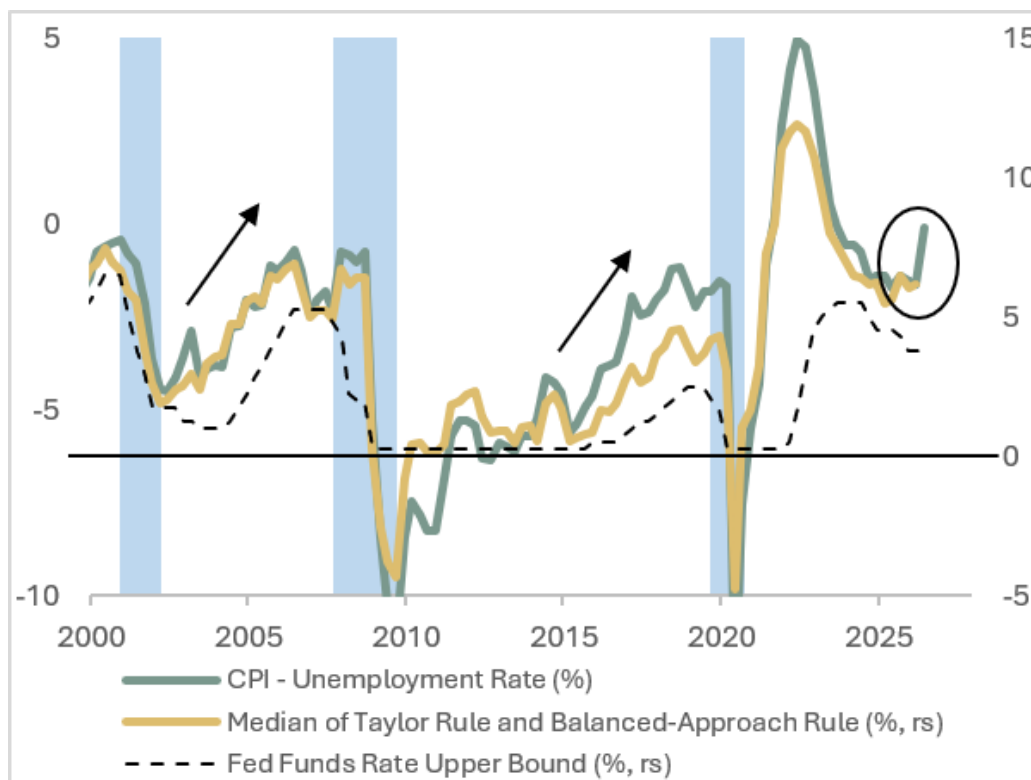
Worsening Macro Signal Aligns with the Fed's Pivot

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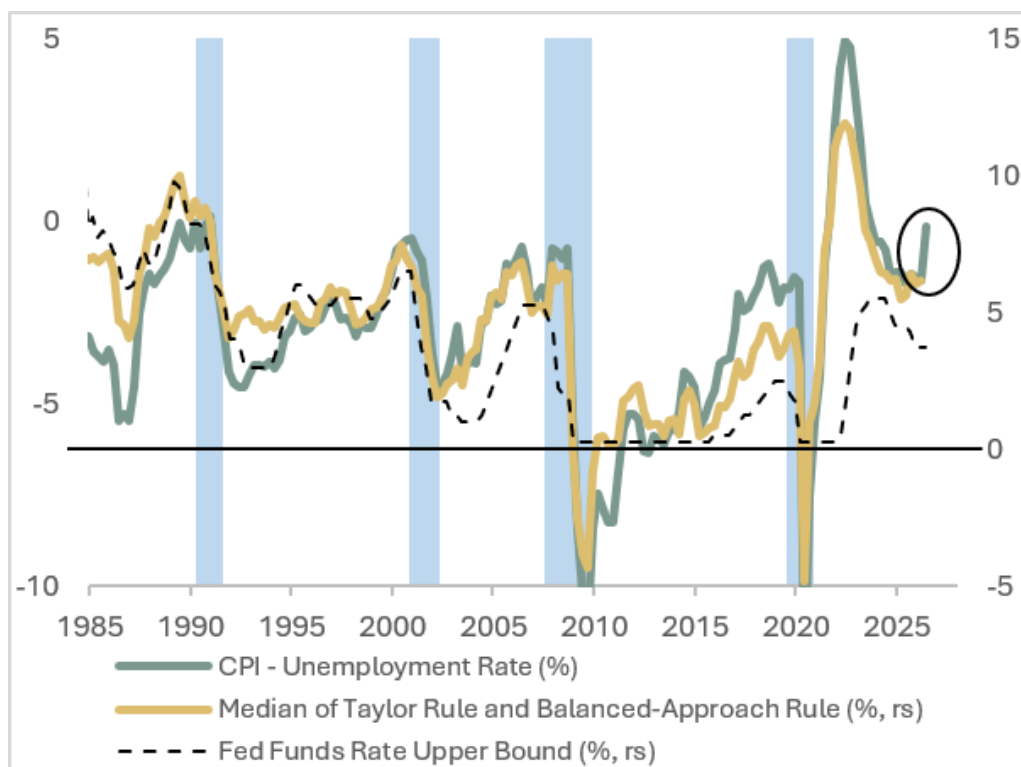
The difference between the consumer price index and the unemployment rate has been a monthly proxy for Taylor rule estimates of the appropriate Fed funds rate for more than 40-years. Relative to the current Fed funds rate, **the current US inflation-unemployment mix implies that an appropriate, rule-consistent Fed policy rate is high and rising. This dynamic has preceded Fed tightening in the past.** This is particularly noteworthy in light of the Fed's recent leadership change, their hawkish turn on June 17, and pivots from comparatively *dovish* Fed members ([link](#)).

Please reach out if you would like to discuss.



Source: BLS, Federal Reserve, Haver, SMBC Nikko

1985 - Present...



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