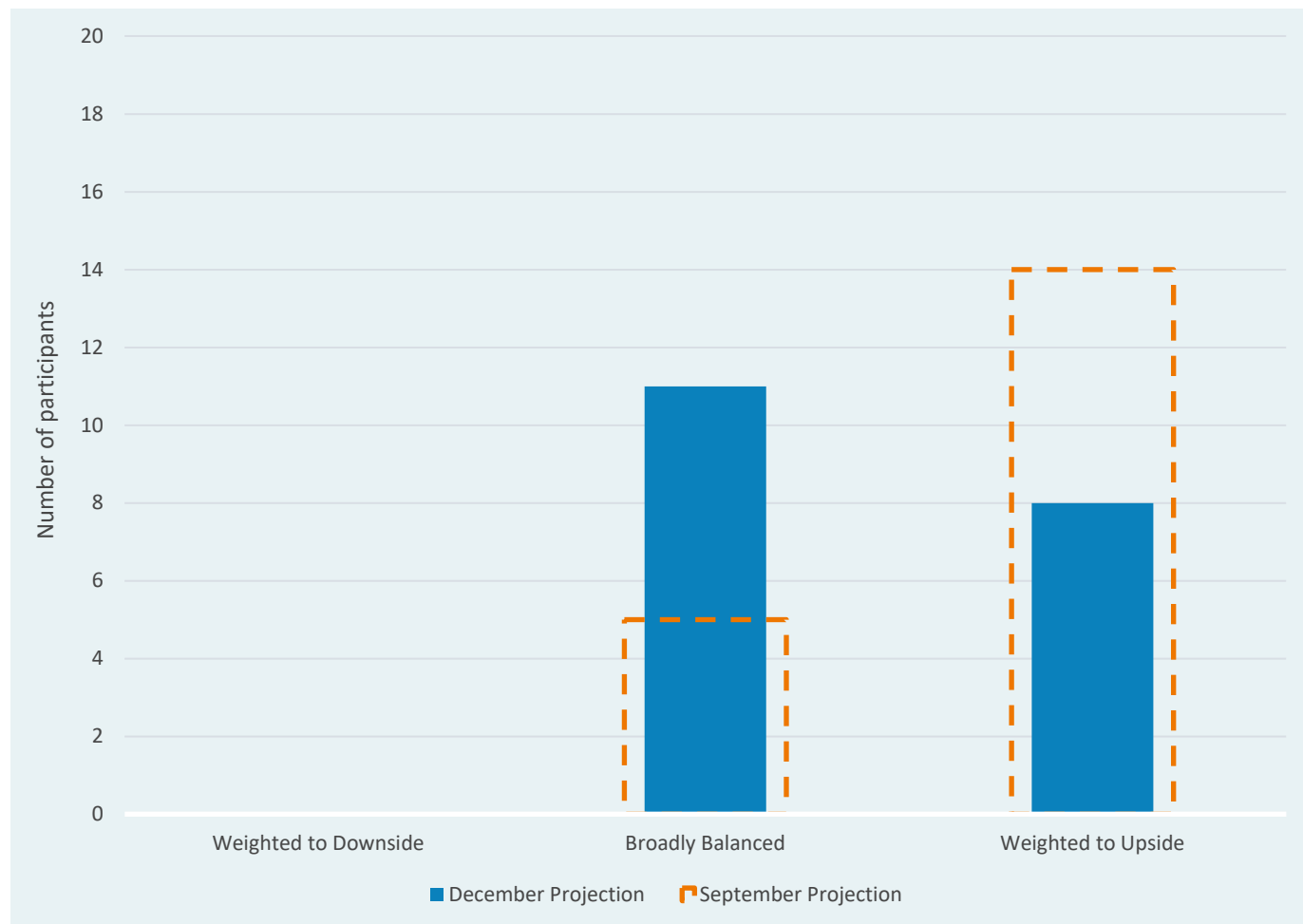


# Verus Market Note

## December 2023 risks to core inflation: FOMC participants

On December 13<sup>th</sup>, the Fed’s tone shifted. Powell spoke to a much rosier inflation picture and described a Fed that is focused on both sides of its dual mandate, price stability *and* full employment. Although optimistic, Powell’s comments also emphasized a cautious view of the restrictive policy’s impact, ***“Our actions have moved our policy rate well into restrictive territory, meaning that tight policy is putting downward pressure on economic activity and inflation, and the full effects of our tightening likely have not yet been felt... Given how far we have come, along with the uncertainties and risks that we face, the Committee is proceeding carefully.”***

The Fed may well change course again, but markets have reacted by pricing in a higher chance of achieving a soft landing—which has supported the rally we’ve seen in risk assets.



Source: Federal Reserve December 2023 Summary of Economic Projections