



Outlook for US monetary policy

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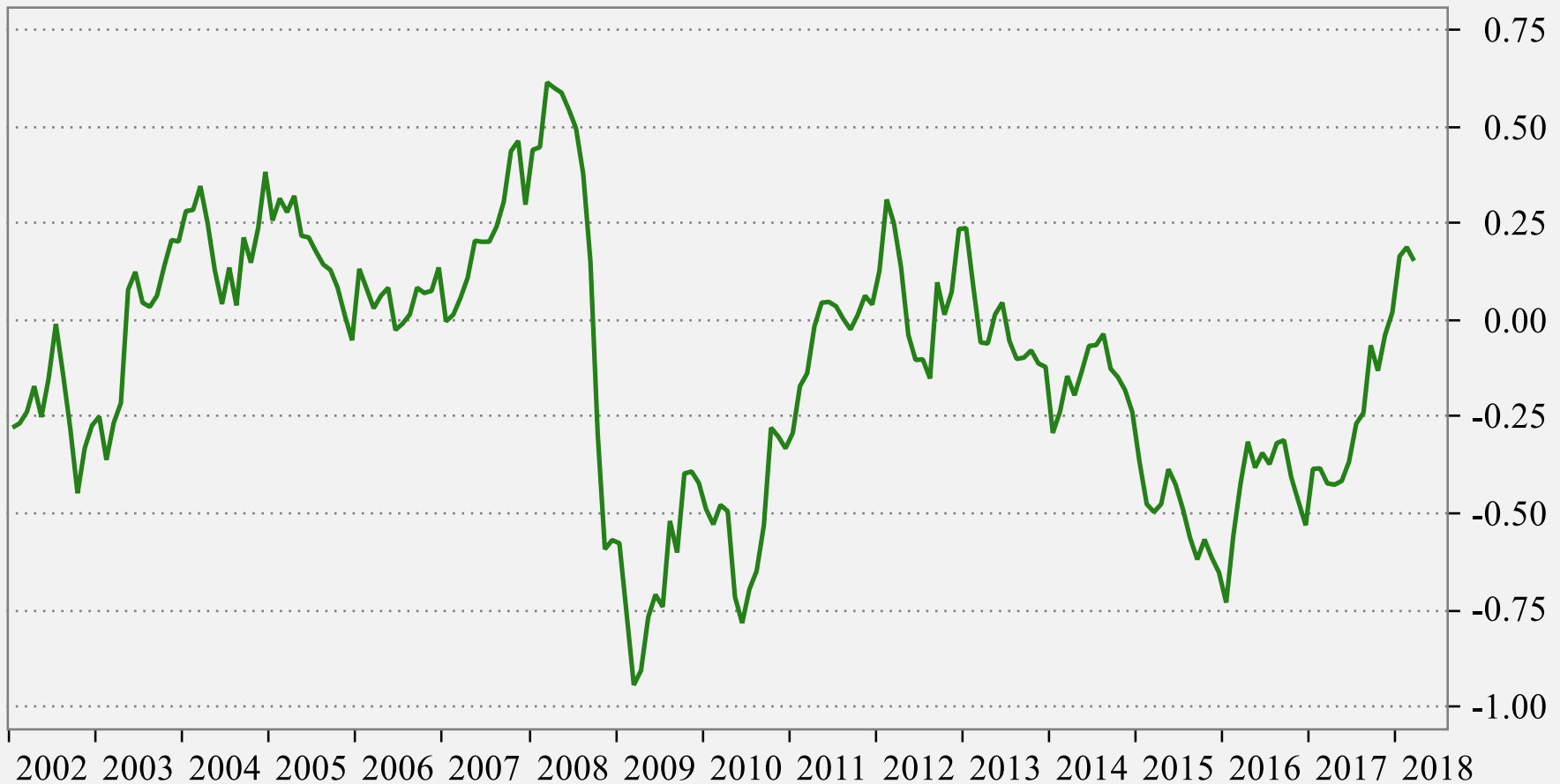
April 5 2018

Our monetary analysis framework

- Monetary Indicator – medium-term inflation outlook
- Monetary policy rules
- Forward Guidance Indicator (FGI)
- Monetary Shock Indicator

Inflation outlook: Monetary Indicator

United States, M&M Advisory, US Monetary Indicator



Source: Macrobond

Inflation outlook: Our forecast

PCE Core inflation forecast

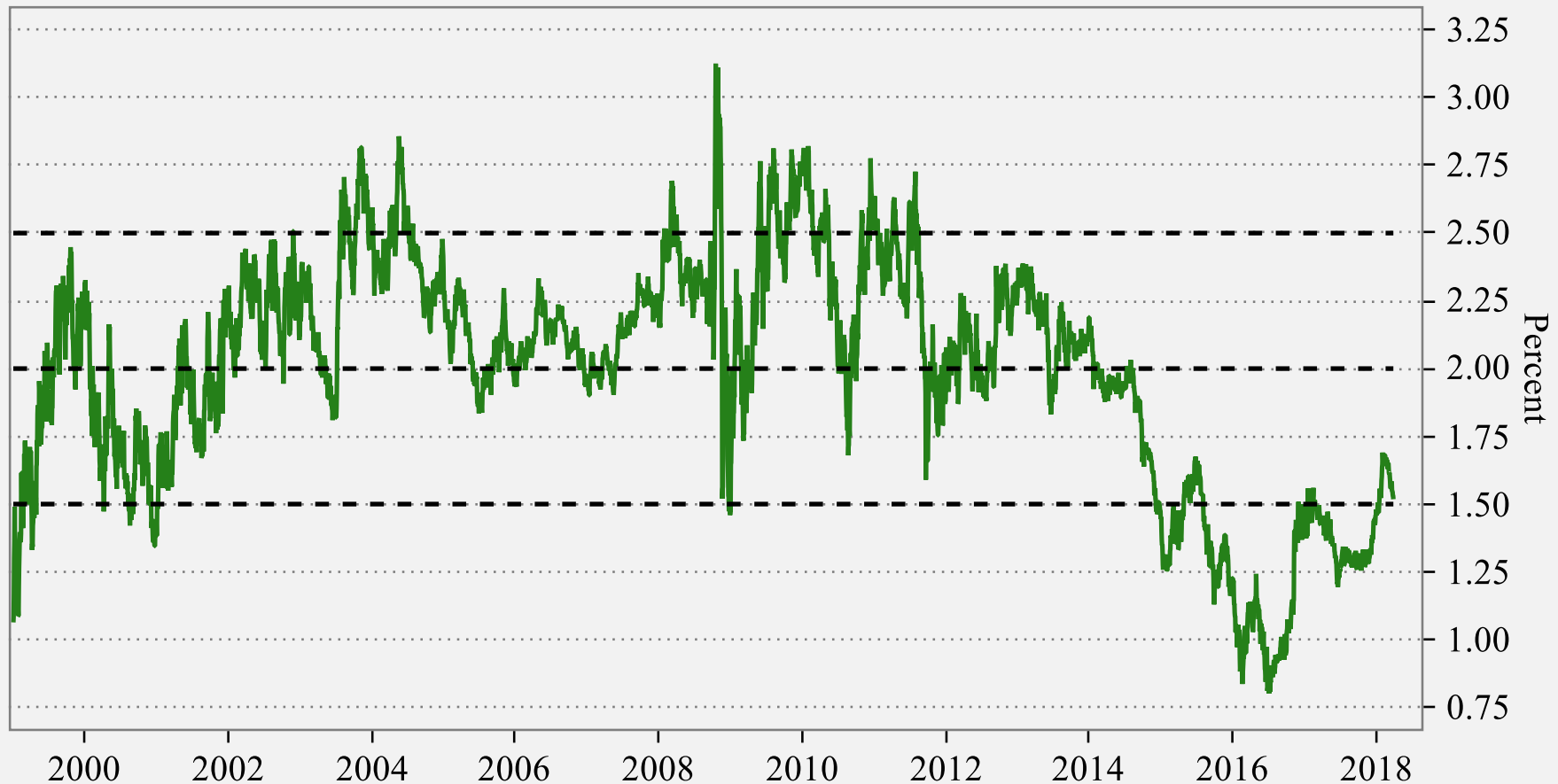


Source: Macrobond

	Target	Latest	2017	2018	2019	2y2y
US	2.0	1.6	1.8	2.0	2.1	2.1

Inflation outlook: 5y5y expectations

5y5y inflation expectations (PCE adjusted)

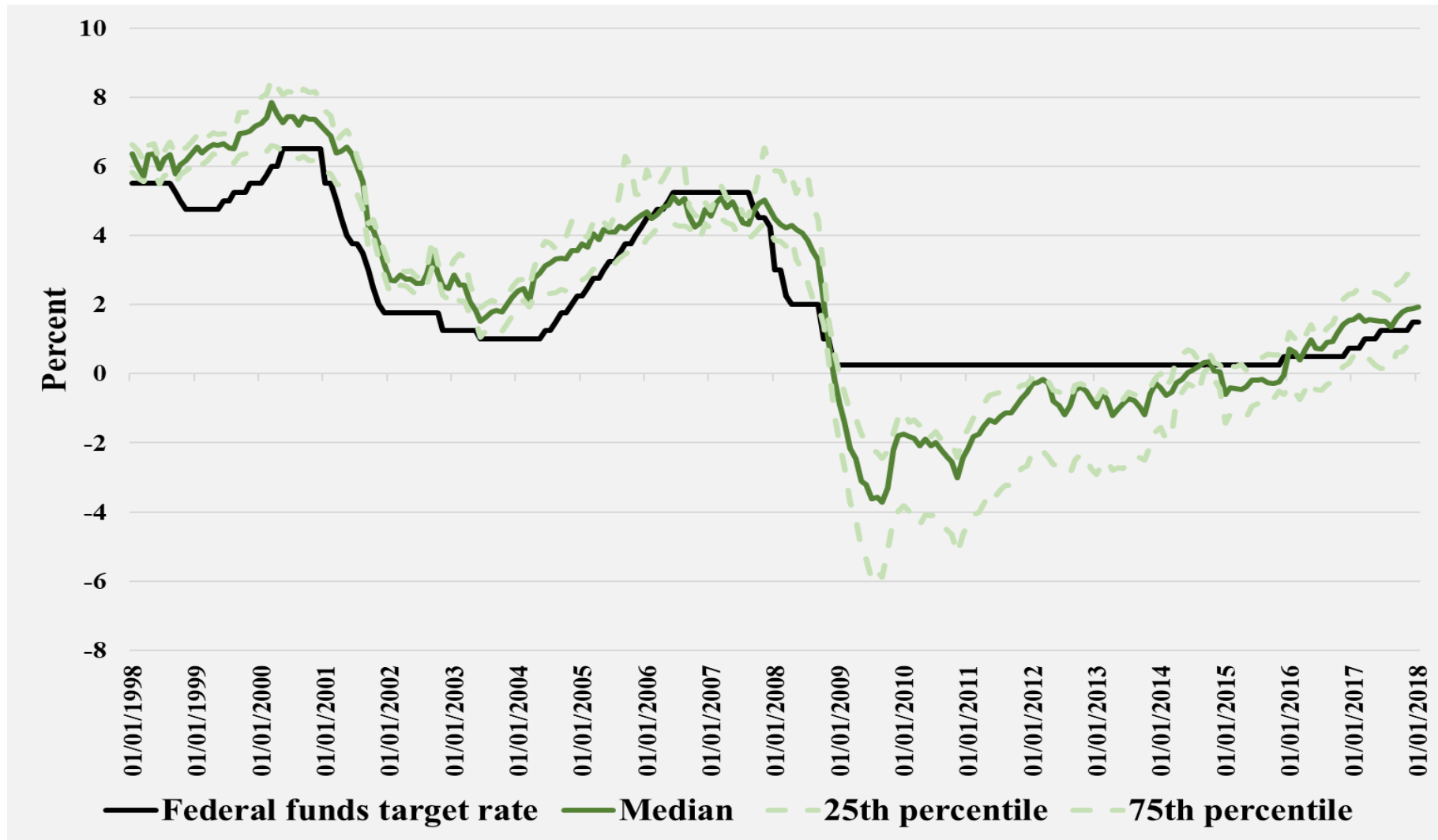


Source: Macrobond

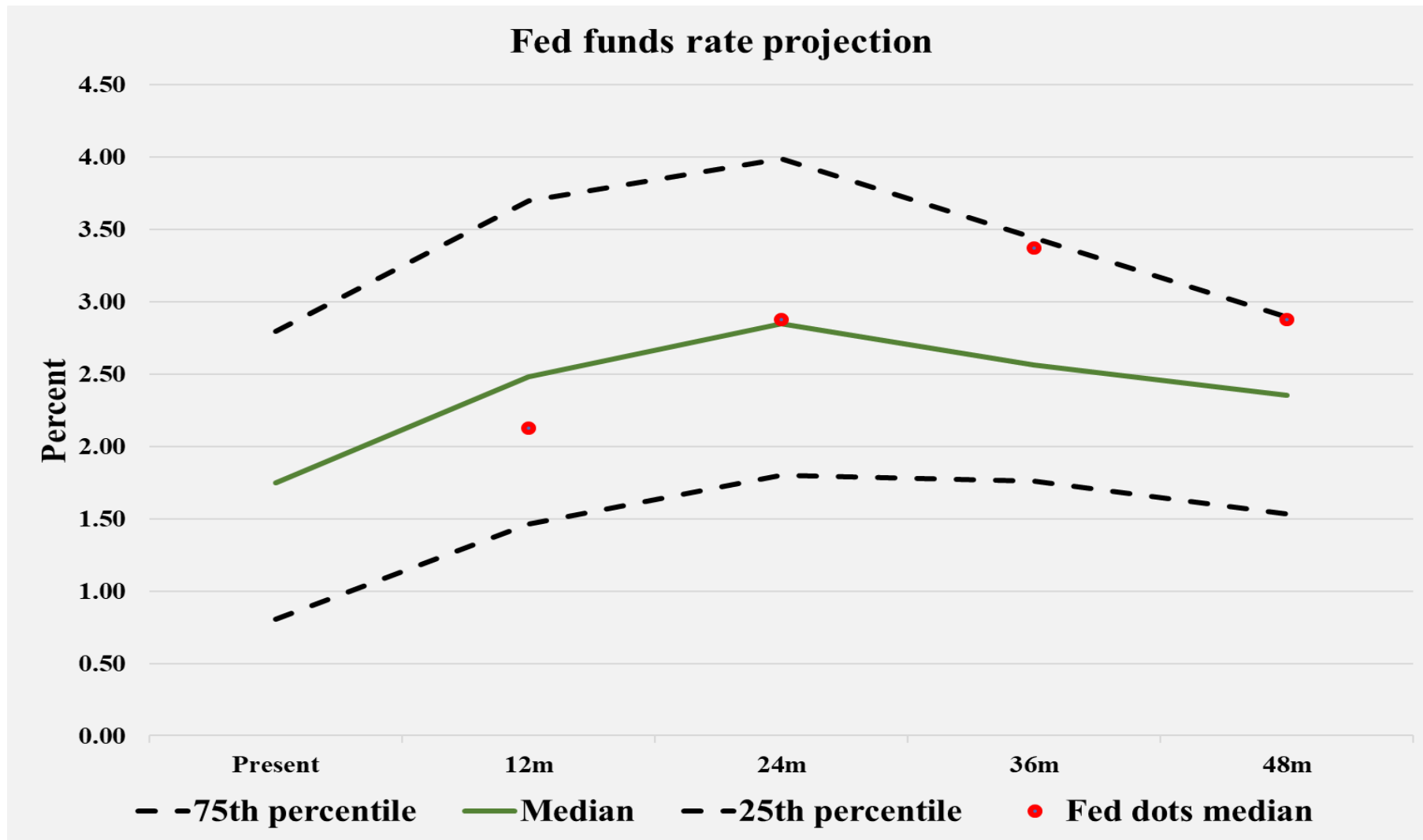
Monetary rules

- Taylor rule (1993) – *PCE and PCE Core inflation*
- Balanced-approach – *PCE and PCE Core inflation*
- Price level rule – *PCE og PCE Core inflation*
- NGDP level target rule
- Mankiw rule

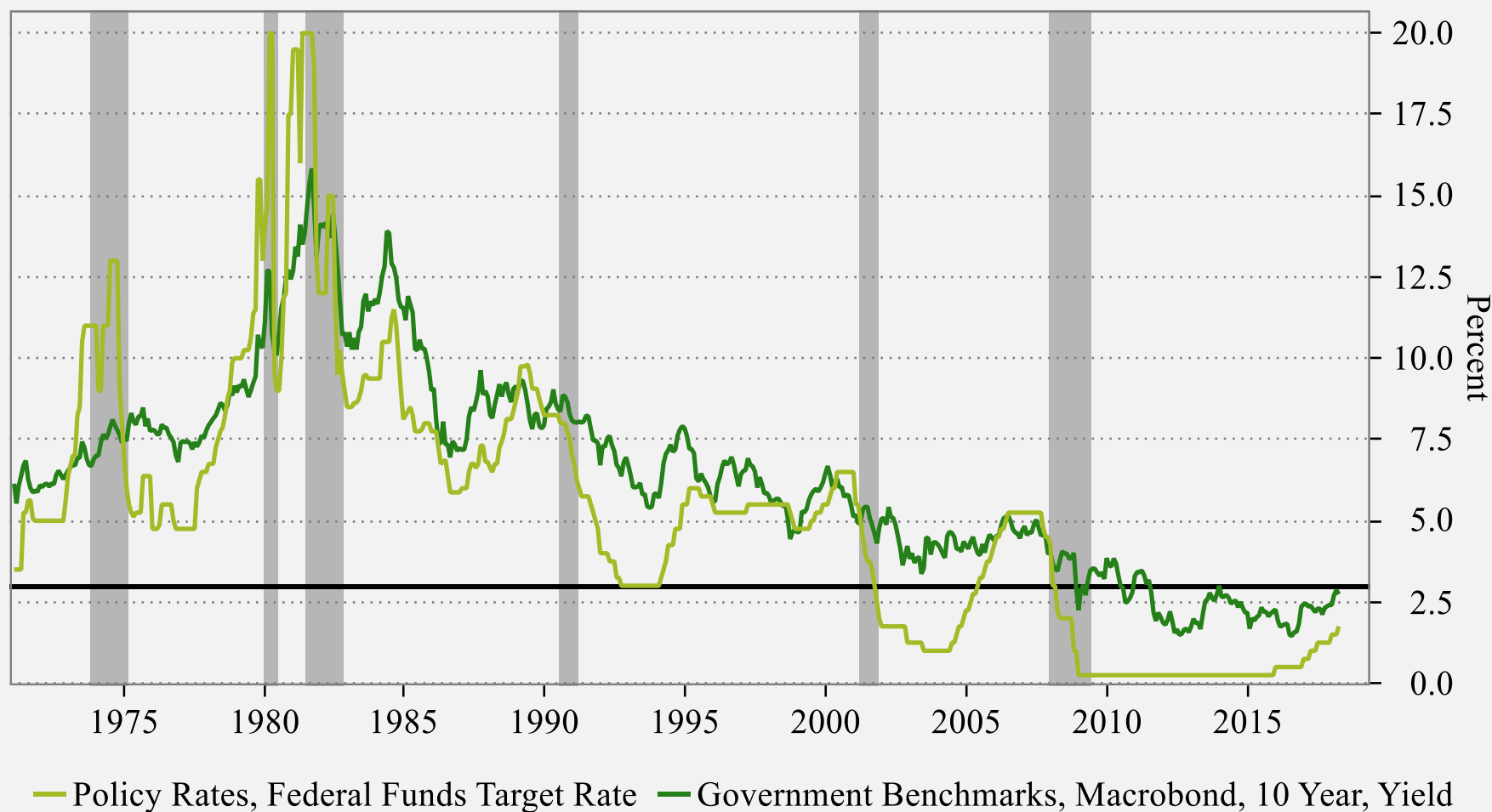
Monetary rules: Historical development



Monetary rules: Projections

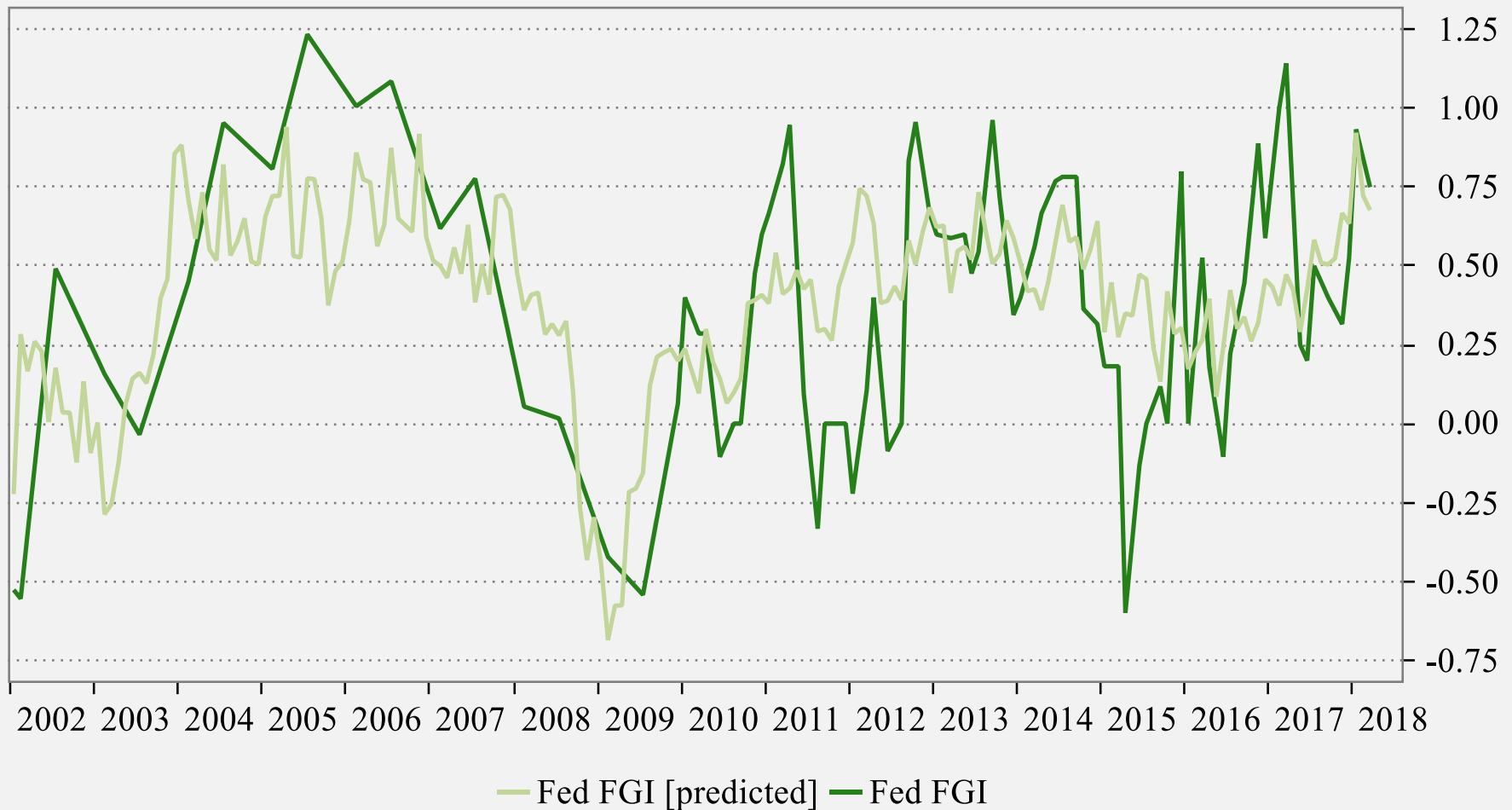


Why Fed funds rate will peak below 3%



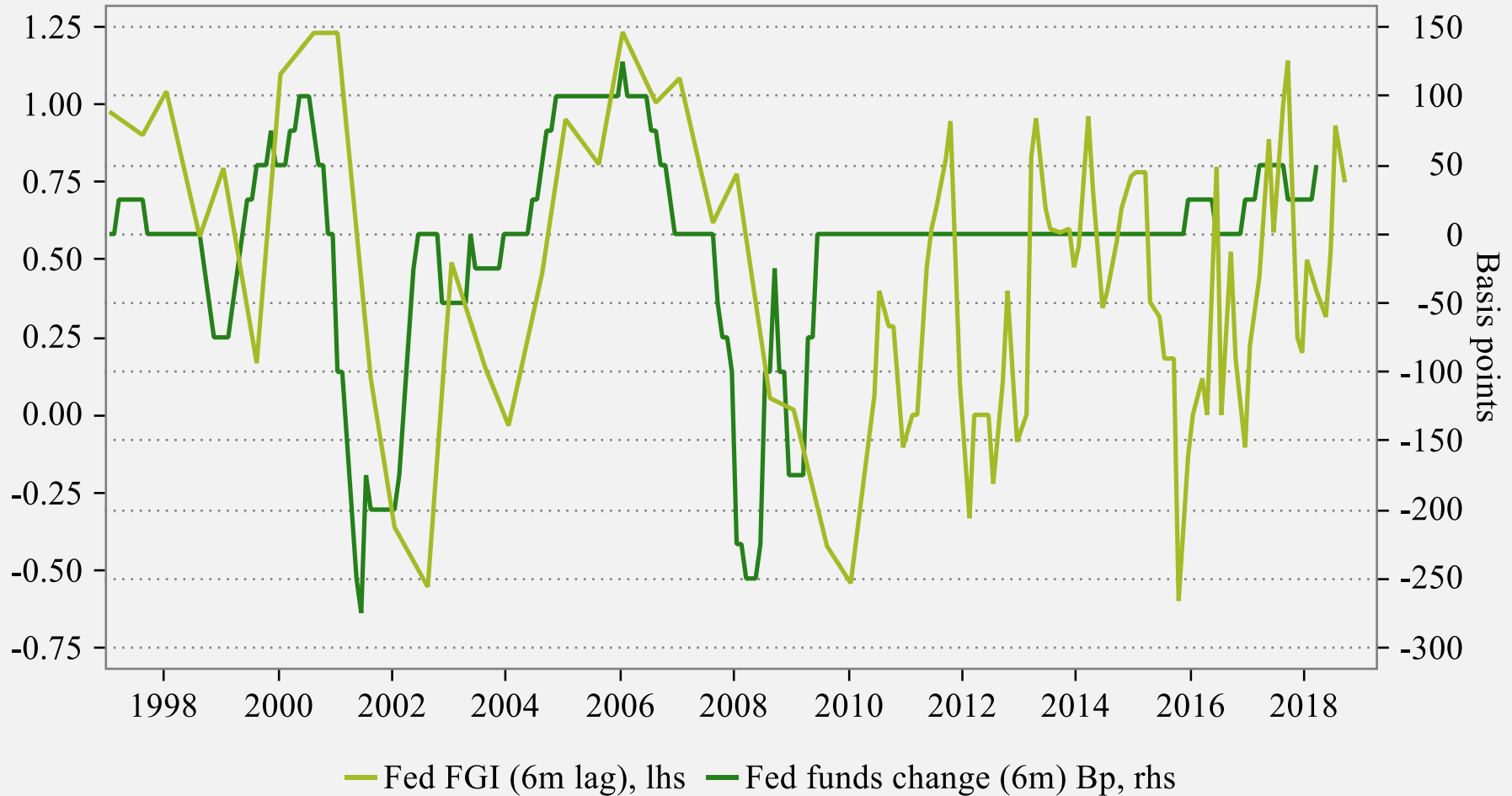
Source: Macrobond

Forward Guidance Indicator (FGI)



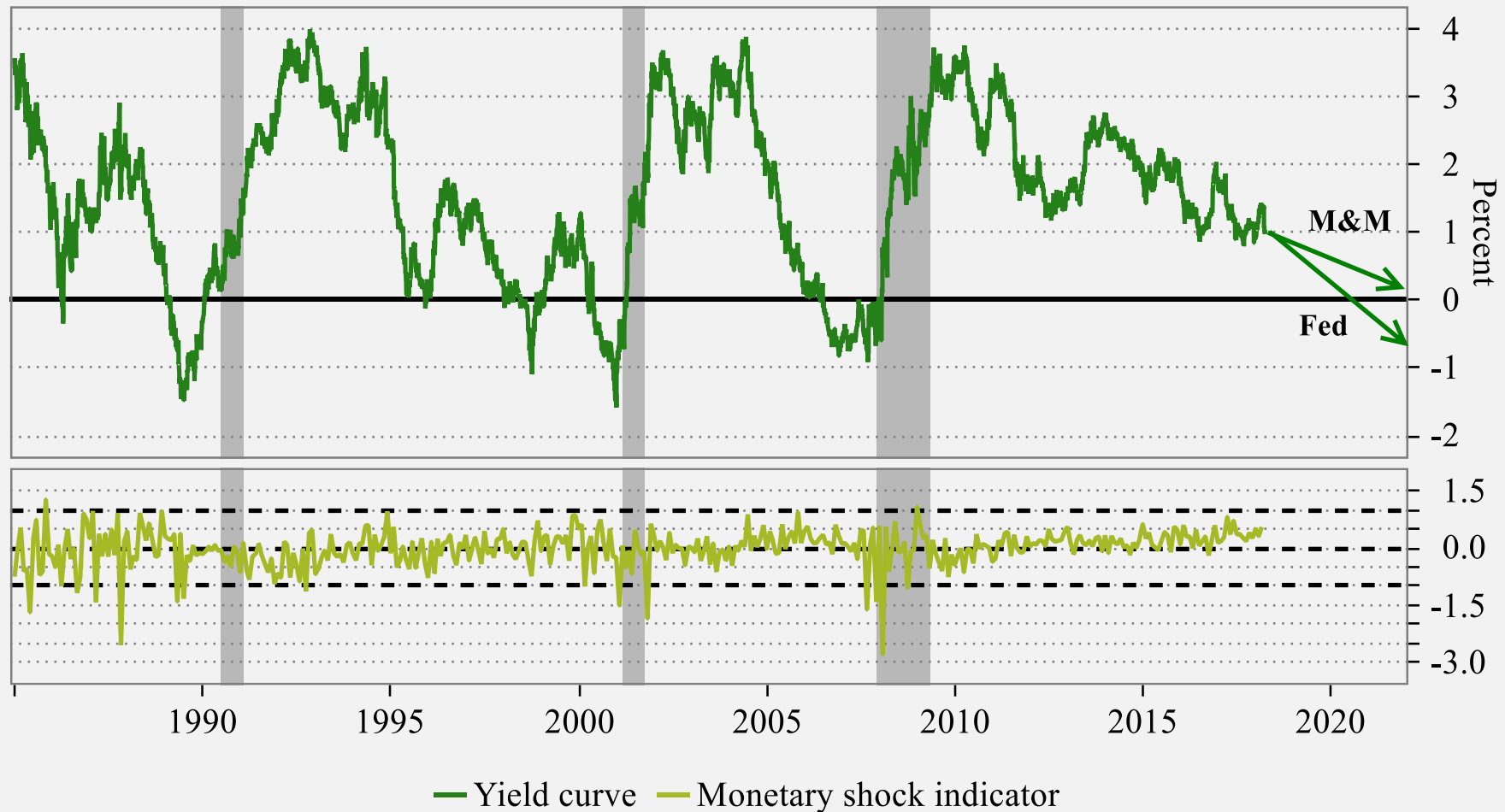
Source: Macrobond

FGI and 6 month rate change



Source: Macrobond

Monetary Shock Indicator



Source: Macrobond