

US Monetary Policy: Fed Policy Cycle

Yardeni Research, Inc.

July 19, 2017

Dr. Edward Yardeni

516-972-7683
eyardeni@yardeni.com

Debbie Johnson

480-664-1333
djohnson@yardeni.com

Mali Quintana

480-664-1333
aquintana@yardeni.com

Please visit our sites at
www.yardeni.com
blog.yardeni.com



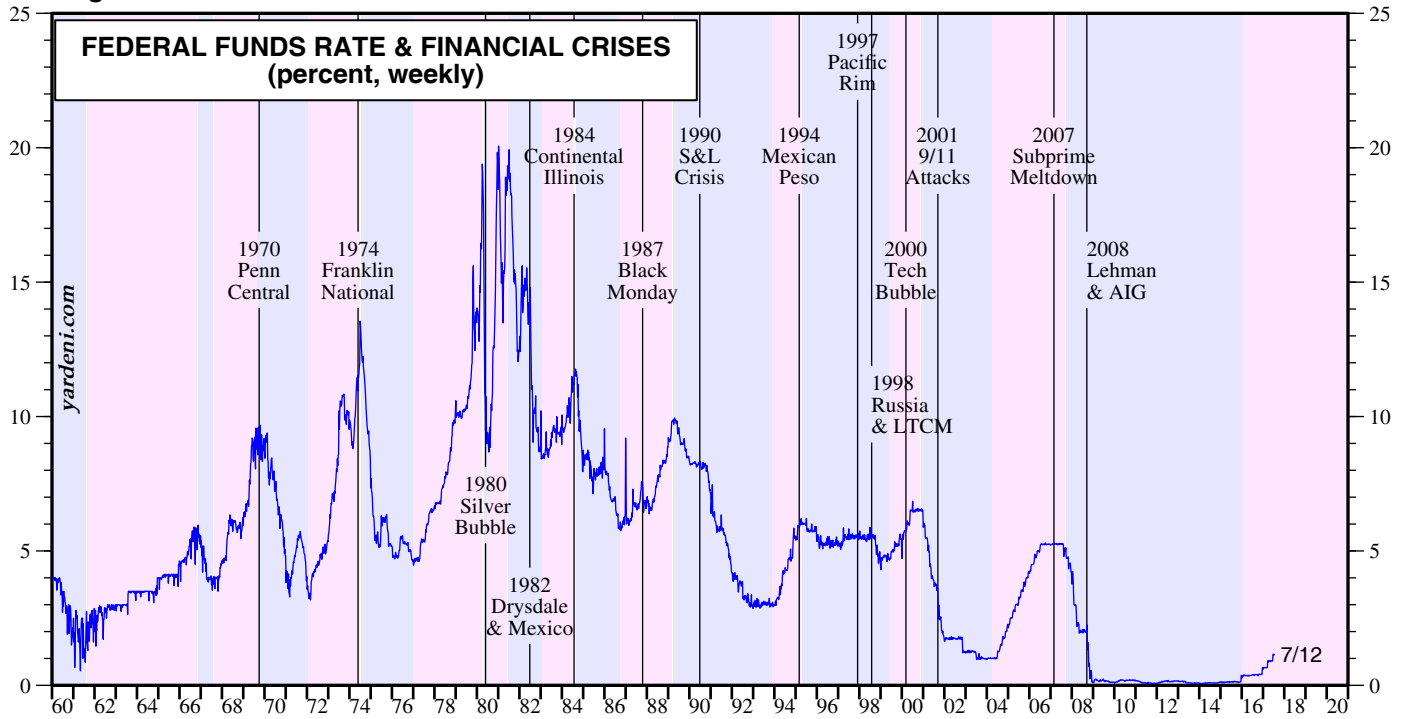
thinking outside the box

Table Of Contents

Crises Cycles	1
Fed Funds Rate & 10-Year Bond Yield	2
Yield Spread	3
S&P 500 Index	4
Resource Utilization	5
Leading & Coincident Indicators	6
Consumer Price Index	7
GDP	8

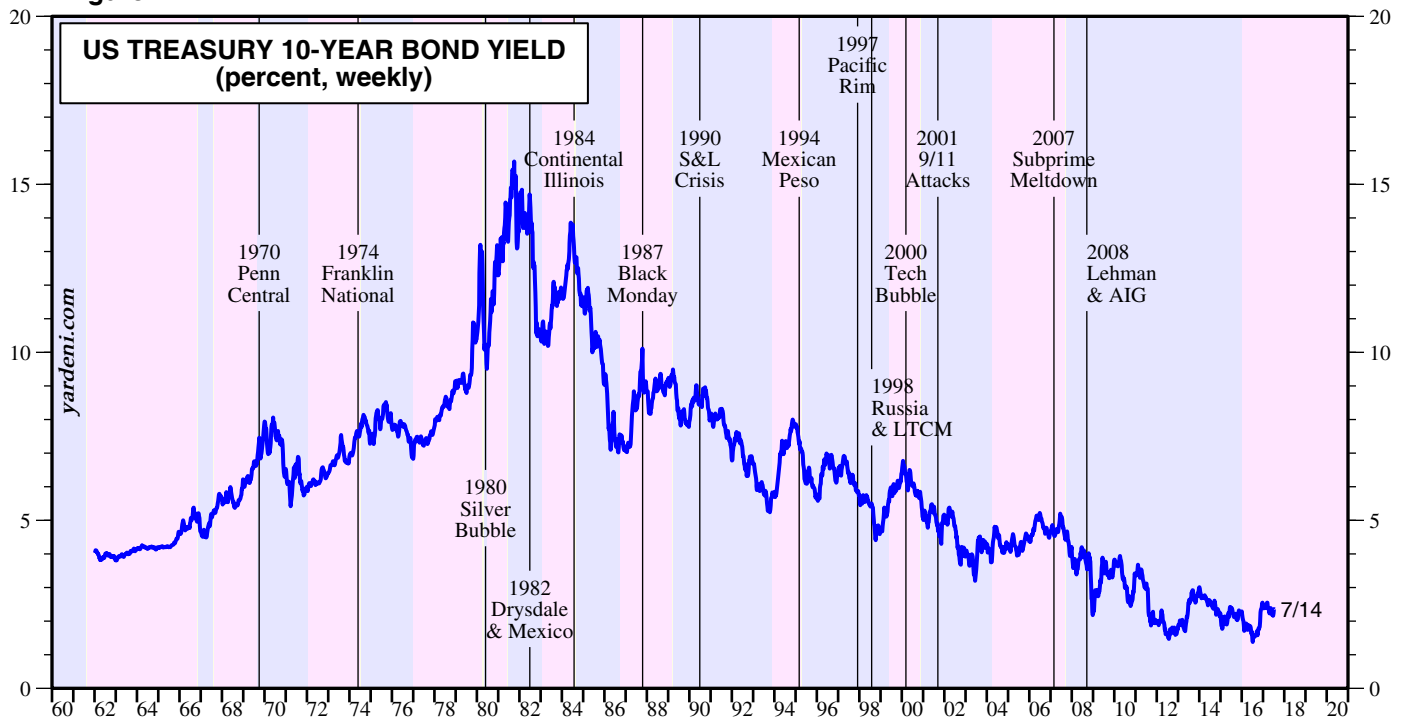
Crises Cycles

Figure 1.



Note: Blue shaded areas denote periods of monetary easing between cyclical peaks and troughs in the federal funds rate. Red shaded areas denote monetary tightening periods.
Source: Federal Reserve Board.

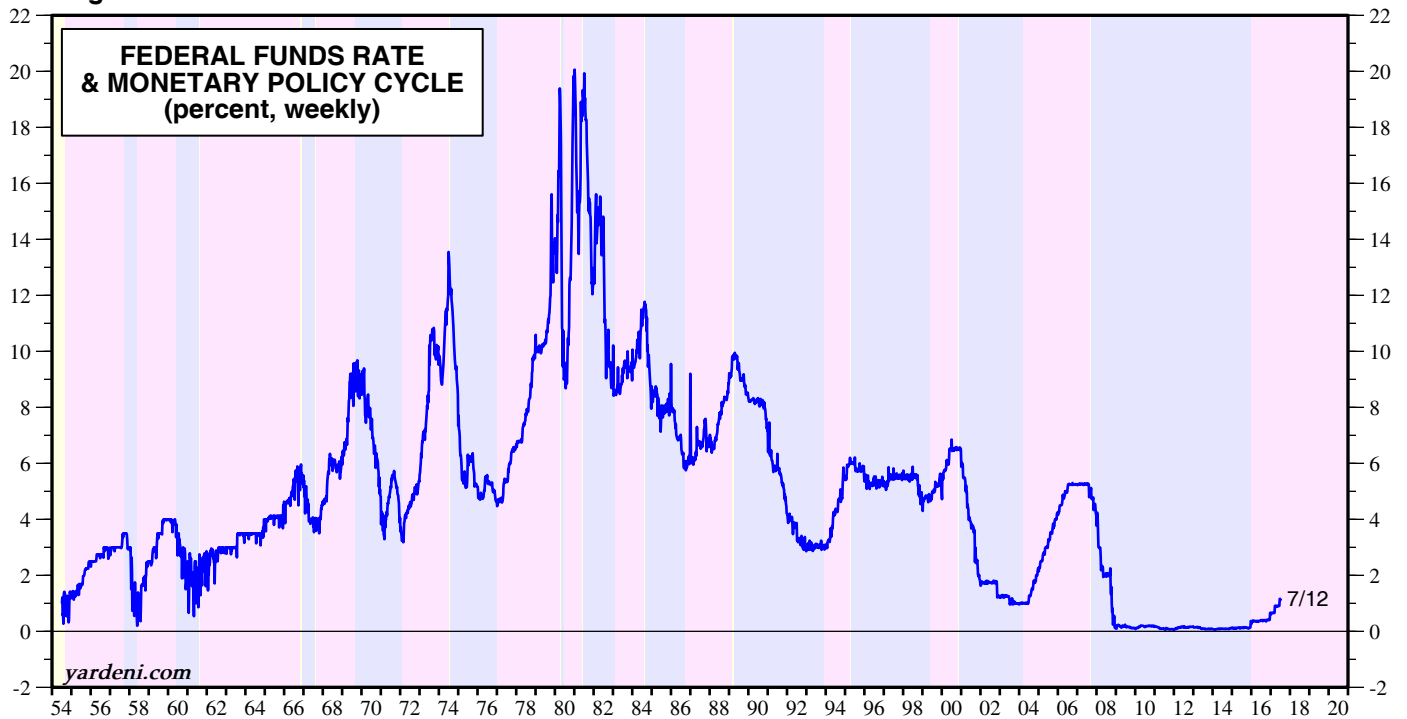
Figure 2.



Note: Blue shaded areas denote periods of monetary easing between cyclical peaks and troughs in the federal funds rate. Red shaded areas denote monetary tightening periods.
Source: Federal Reserve Board.

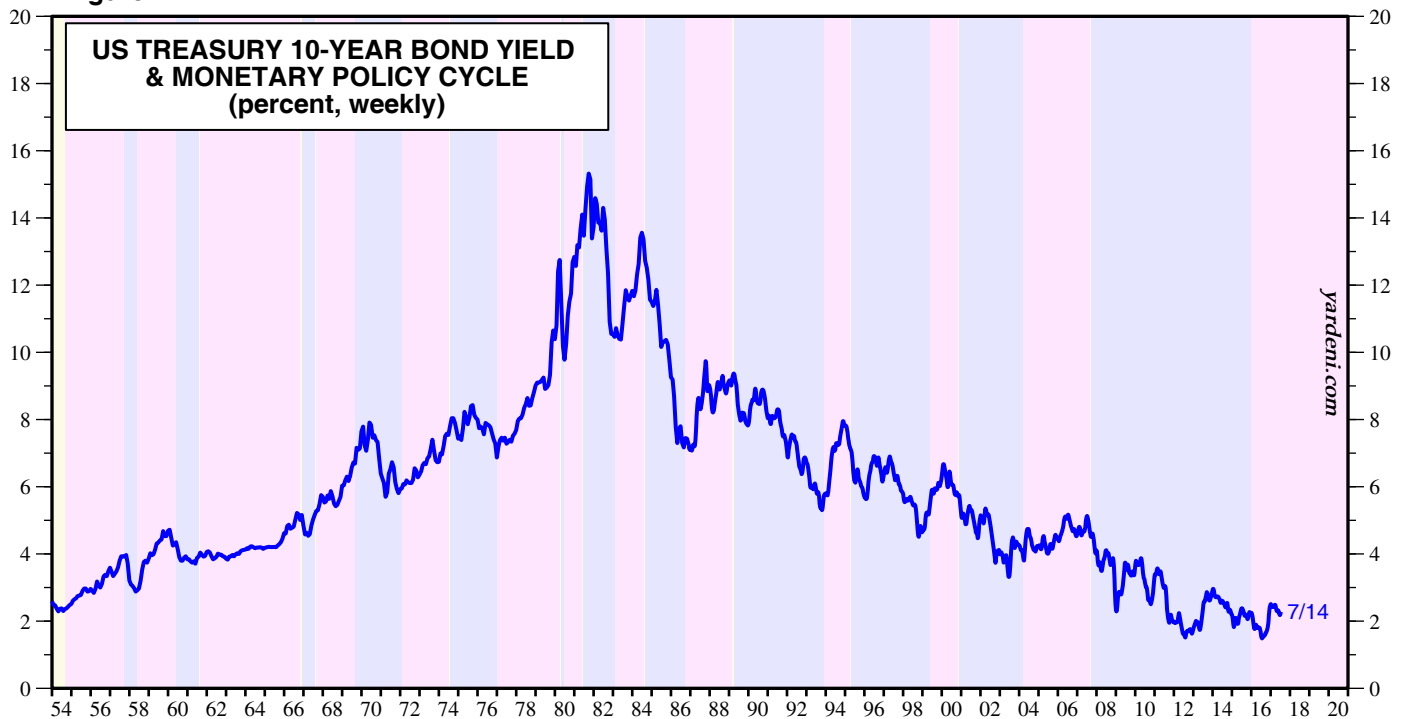
Fed Funds Rate & 10-Year Bond Yield

Figure 3.



Note: Blue shaded areas denote periods of monetary easing between cyclical peaks and troughs in the federal funds rate. Red shaded areas denote monetary tightening periods.
Source: Federal Reserve Board.

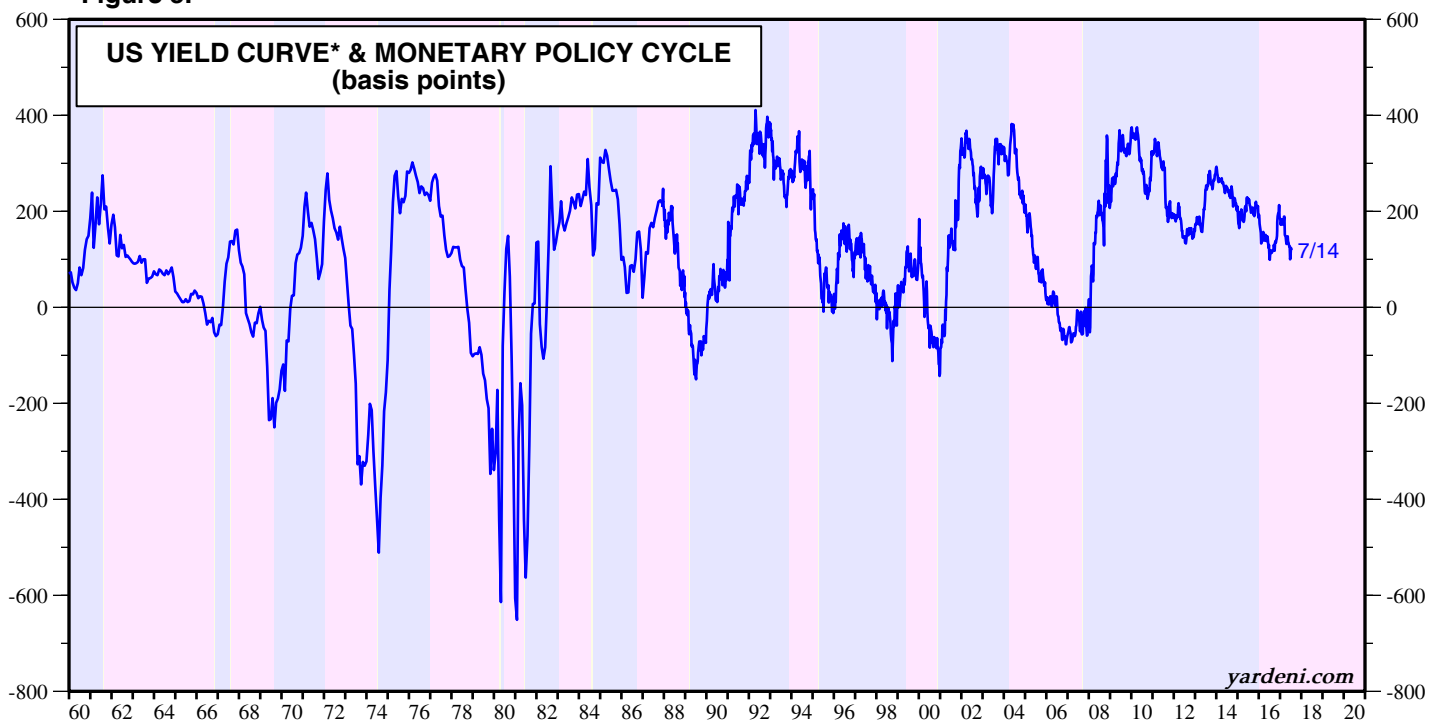
Figure 4.



Note: Blue shaded areas denote periods of monetary easing between cyclical peaks and troughs in the federal funds rate. Red shaded areas denote monetary tightening periods. Monthly through 1986, then weekly.
Source: Federal Reserve Board.

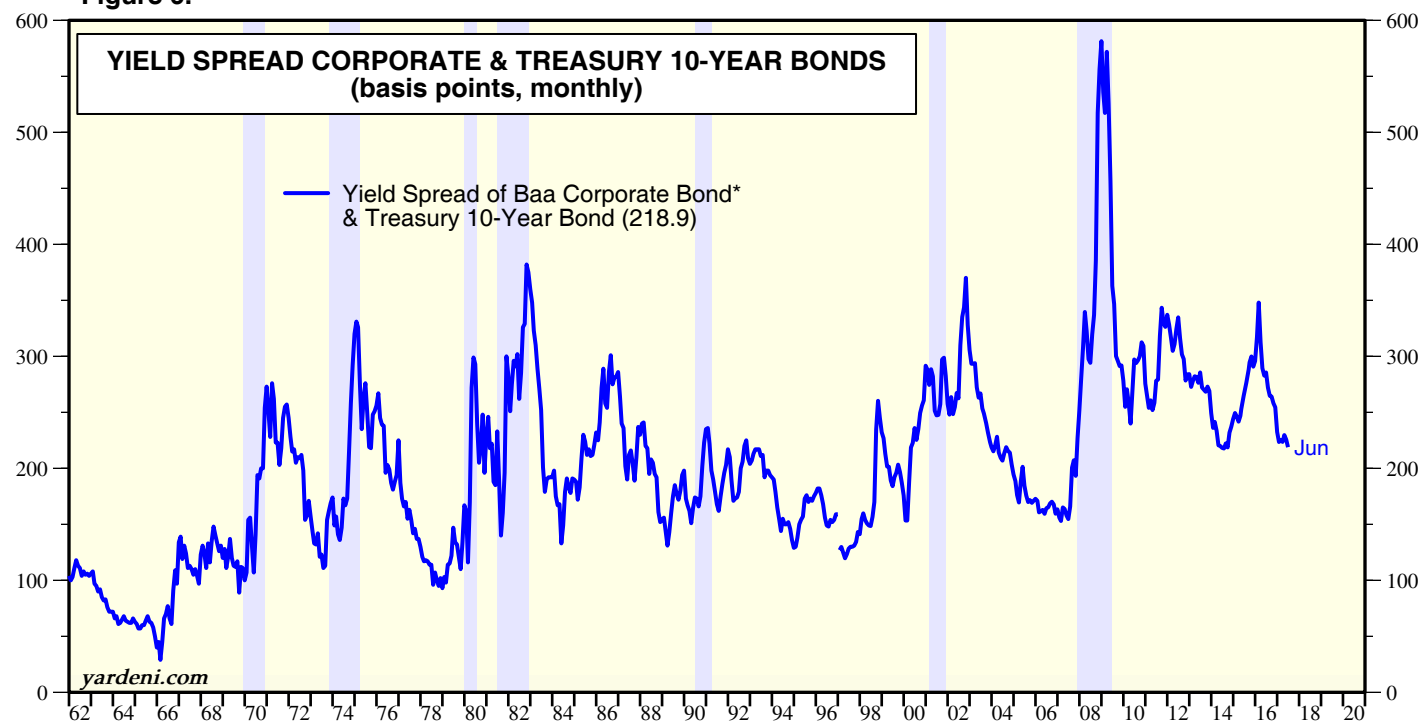
Yield Spread

Figure 5.



* 10-year Treasury yield less federal funds rate. Monthly through 1987, then weekly.
 Note: Blue shaded areas denote periods of monetary easing between cyclical peaks and troughs in the federal funds rate. Red shaded areas denote monetary tightening periods.
 Source: Federal Reserve Board.

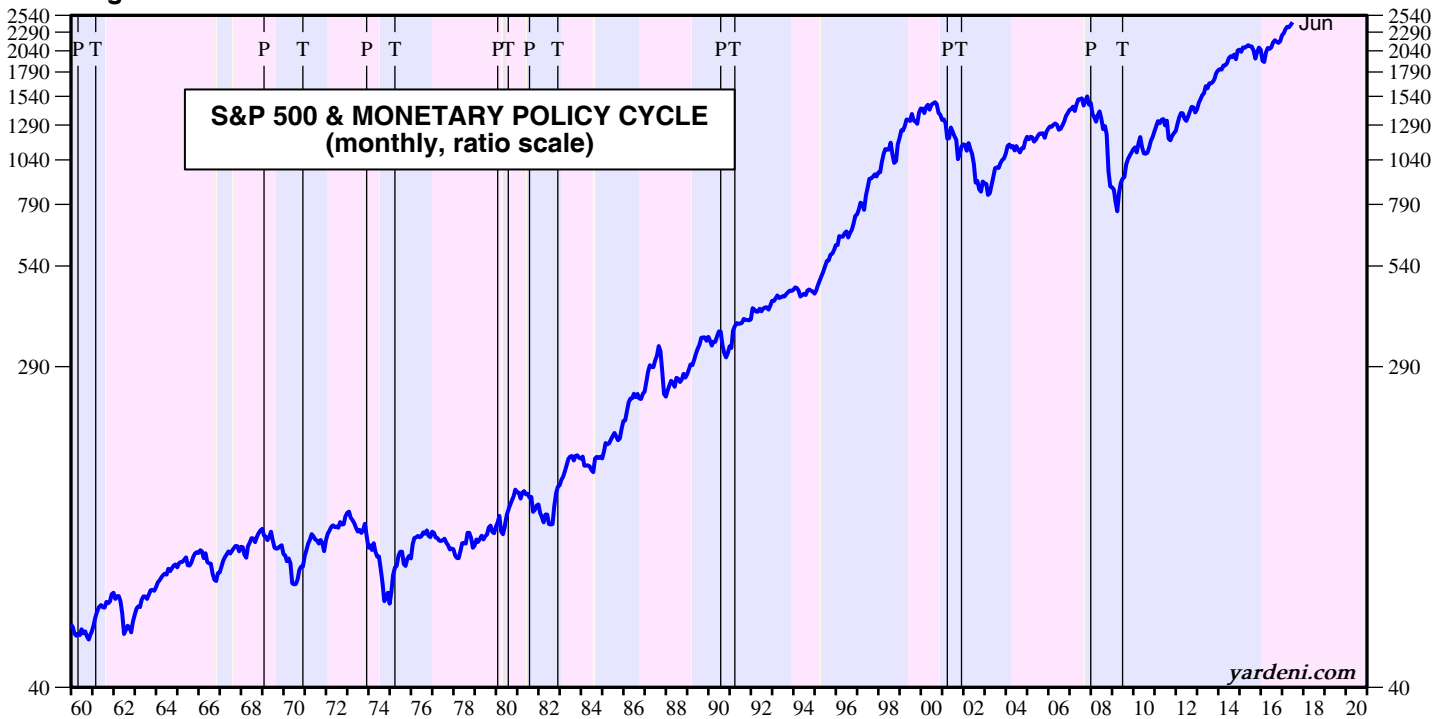
Figure 6.



* Moody's seasoned Baa corporate bond yield from 1962 to 1996, then Bank of America Merrill Lynch A-BBB corporate bond yield.
 Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
 Source: Federal Reserve Board.

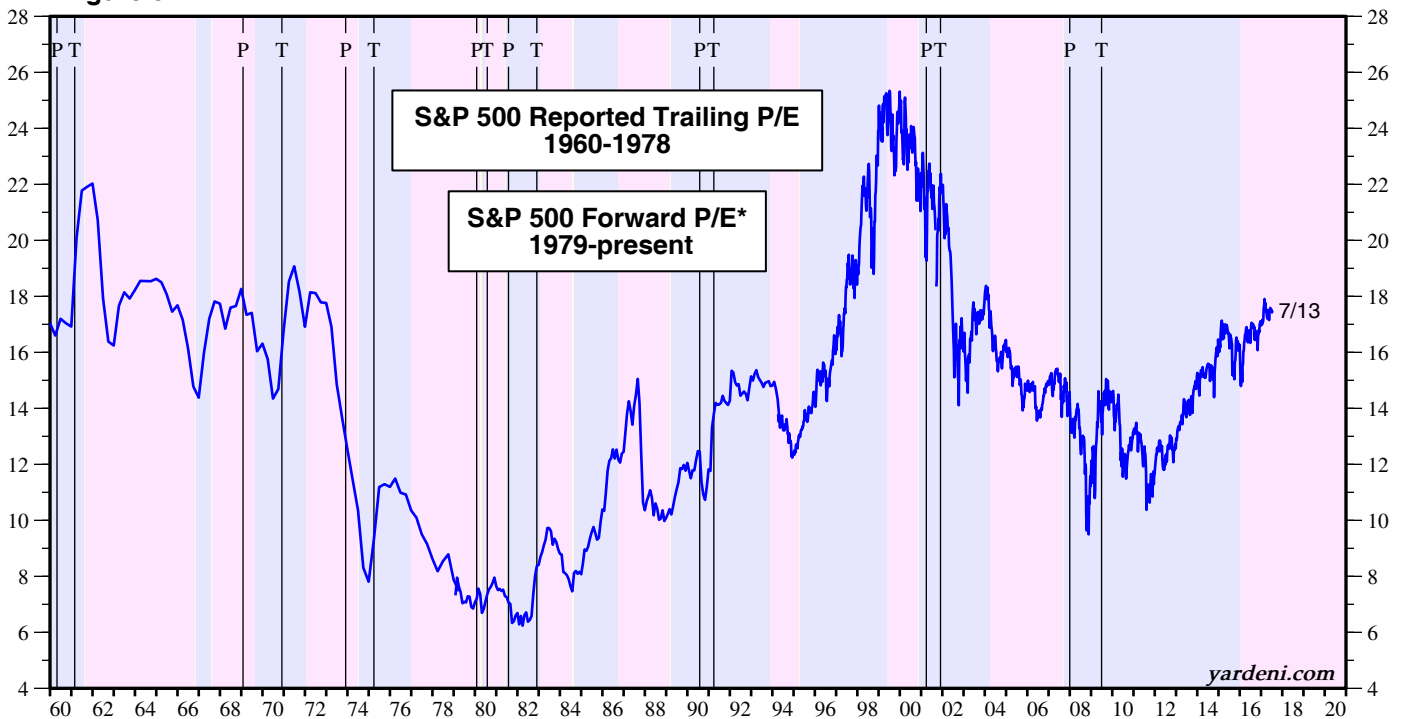
S&P 500 Index

Figure 7.



Note: Blue shaded areas denote periods of monetary easing between cyclical peaks and troughs in the federal funds rate. Red shaded areas denote monetary tightening periods. Business cycle peaks (P) and troughs (T) according to the National Bureau of Economic Research.
Source: Standard & Poor's.

Figure 8.

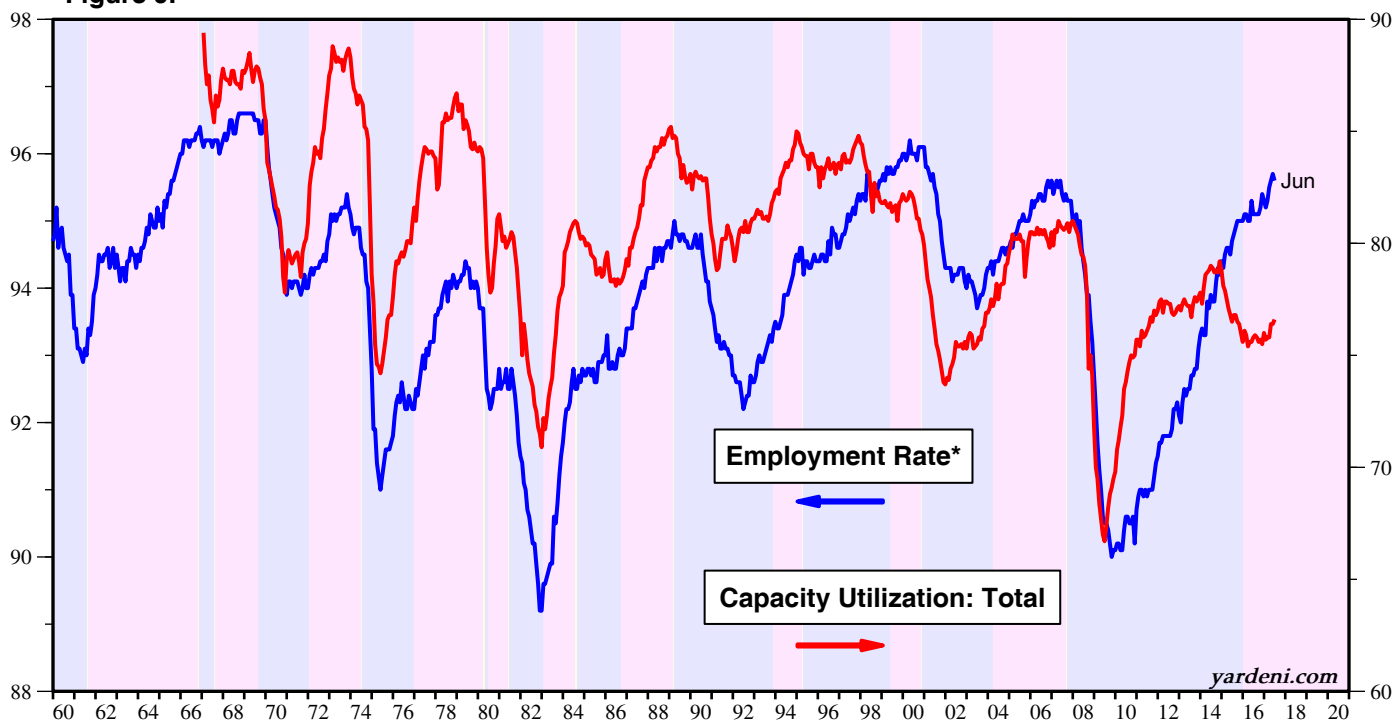


* S&P 500 divided by year-ahead forward consensus expected operating earnings per share. Monthly through April 1994, then weekly.

Note: Blue shaded areas denote periods of monetary easing between cyclical peaks and troughs in the federal funds rate. Red shaded areas denote monetary tightening periods. Business cycle peaks (P) & troughs (T) according to the National Bureau of Economic Research.
Source: Thomson Reuters I/B/E/S and Standard & Poor's.

Resource Utilization

Figure 9.

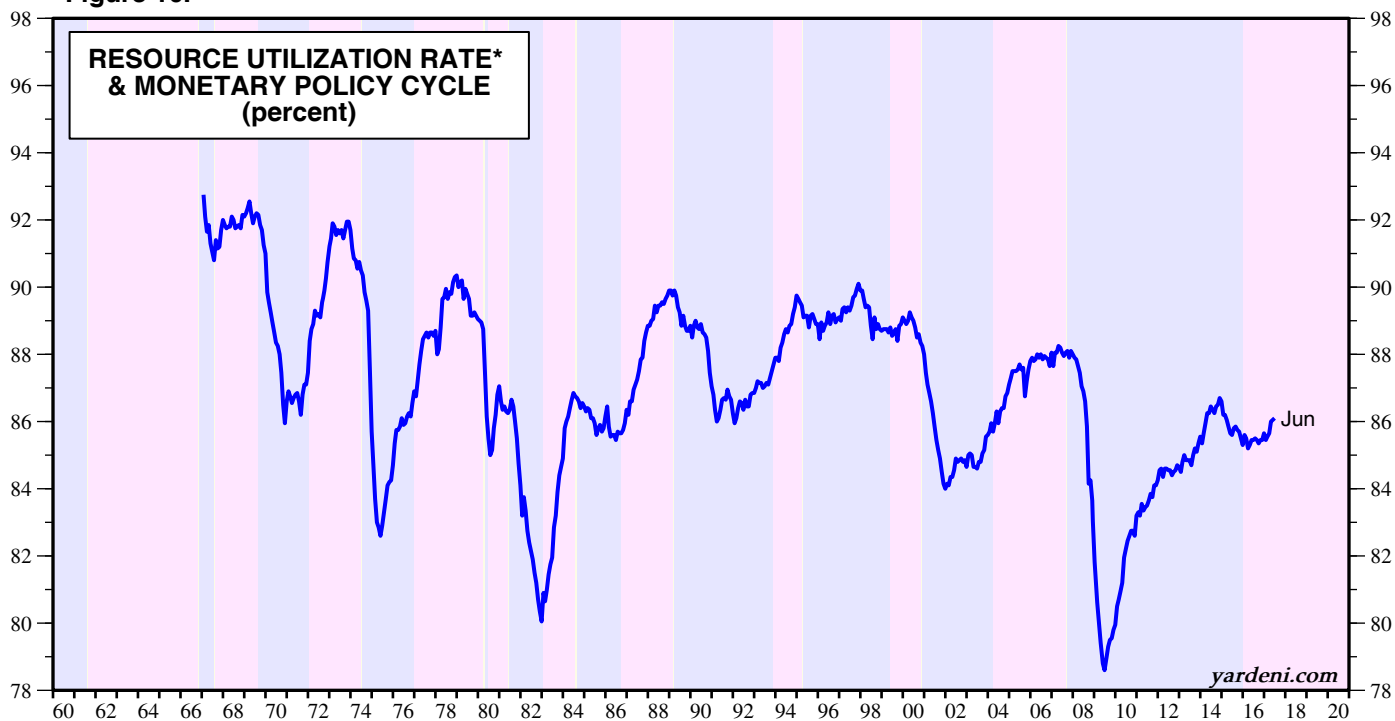


* 100 minus unemployment rate.

Note: Blue shaded areas denote periods of monetary easing between cyclical peaks and troughs in the federal funds rate. Red shaded areas denote monetary tightening periods.

Source: Bureau of Labor Statistics and Federal Reserve Board.

Figure 10.



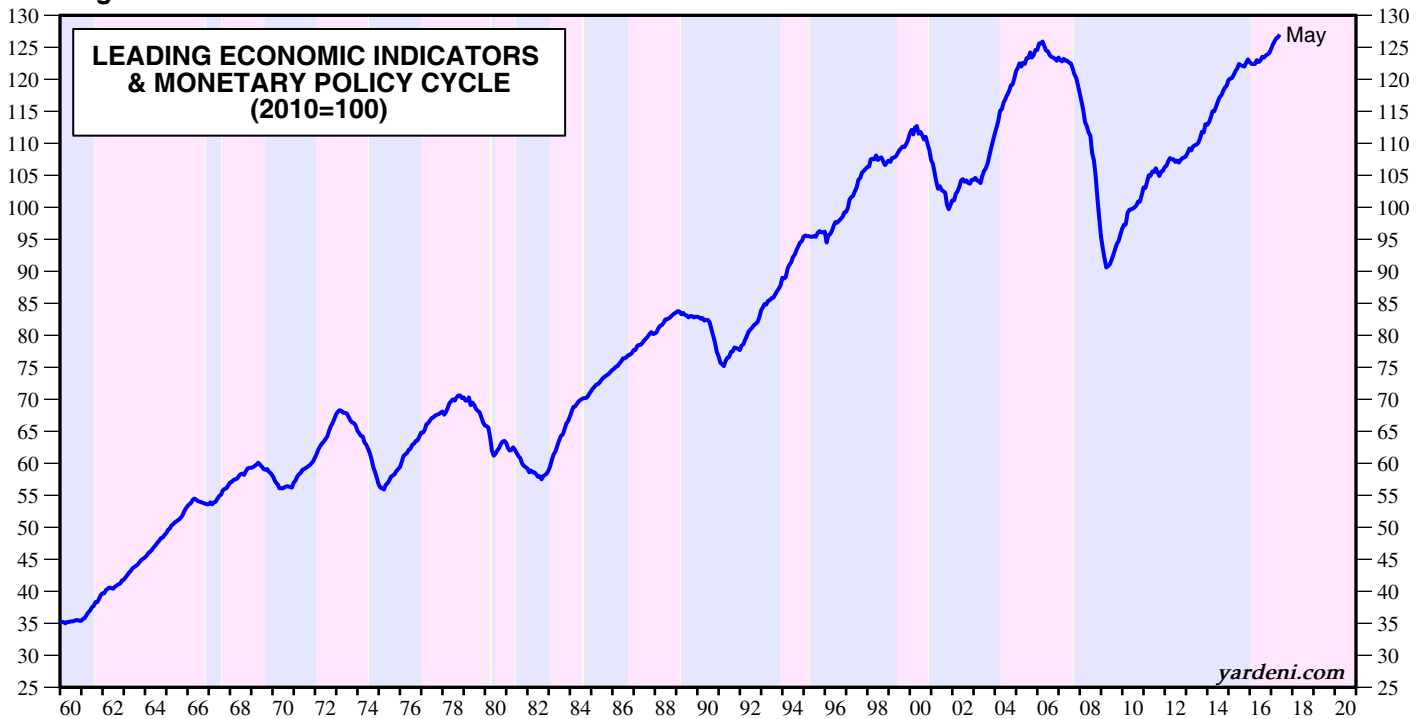
* Average of all industries' capacity utilization rate plus employment rate, i.e., percentage of labor force that is employed.

Note: Blue shaded areas denote periods of monetary easing between cyclical peaks and troughs in the federal funds rate. Red shaded areas denote monetary tightening periods.

Source: Bureau of Labor Statistics and Federal Reserve Board.

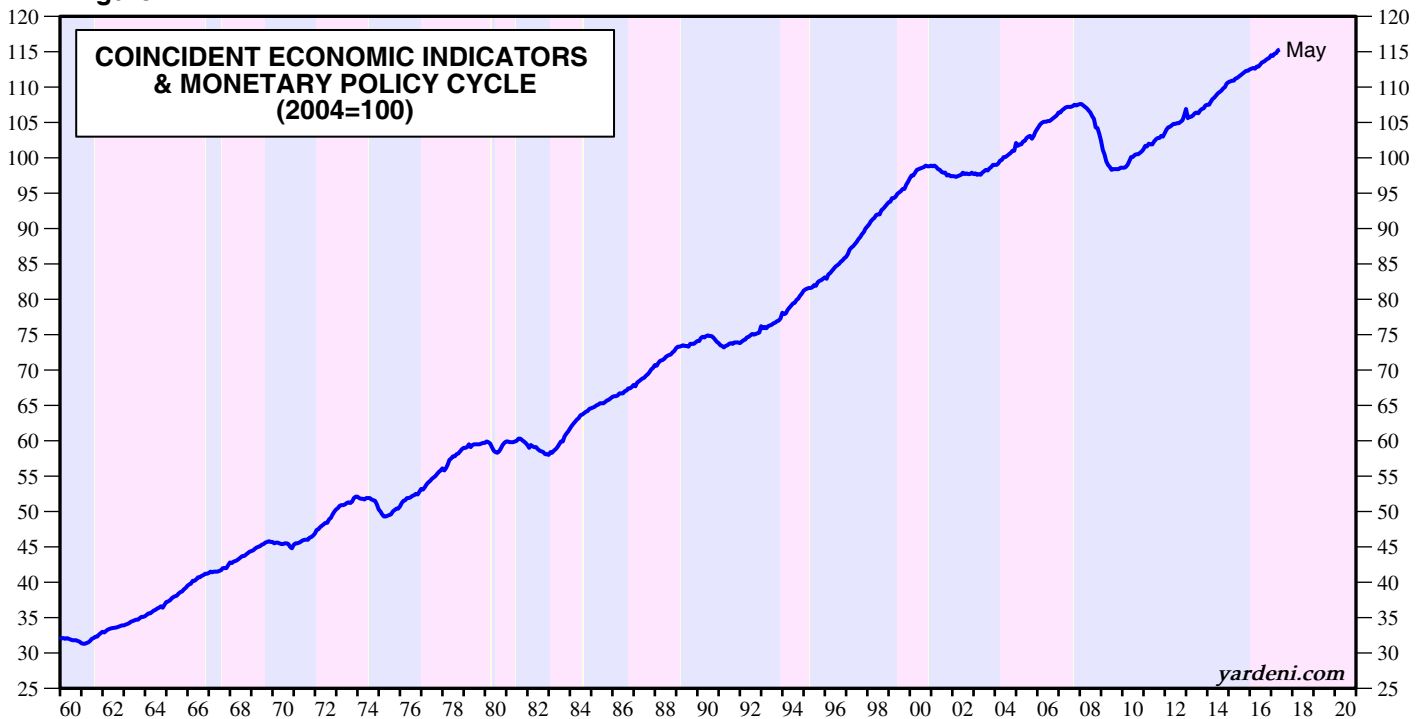
Leading & Coincident Indicators

Figure 11.



Note: Blue shaded areas denote periods of monetary easing between cyclical peaks and troughs in the federal funds rate. Red shaded areas denote monetary tightening periods.
Source: The Conference Board.

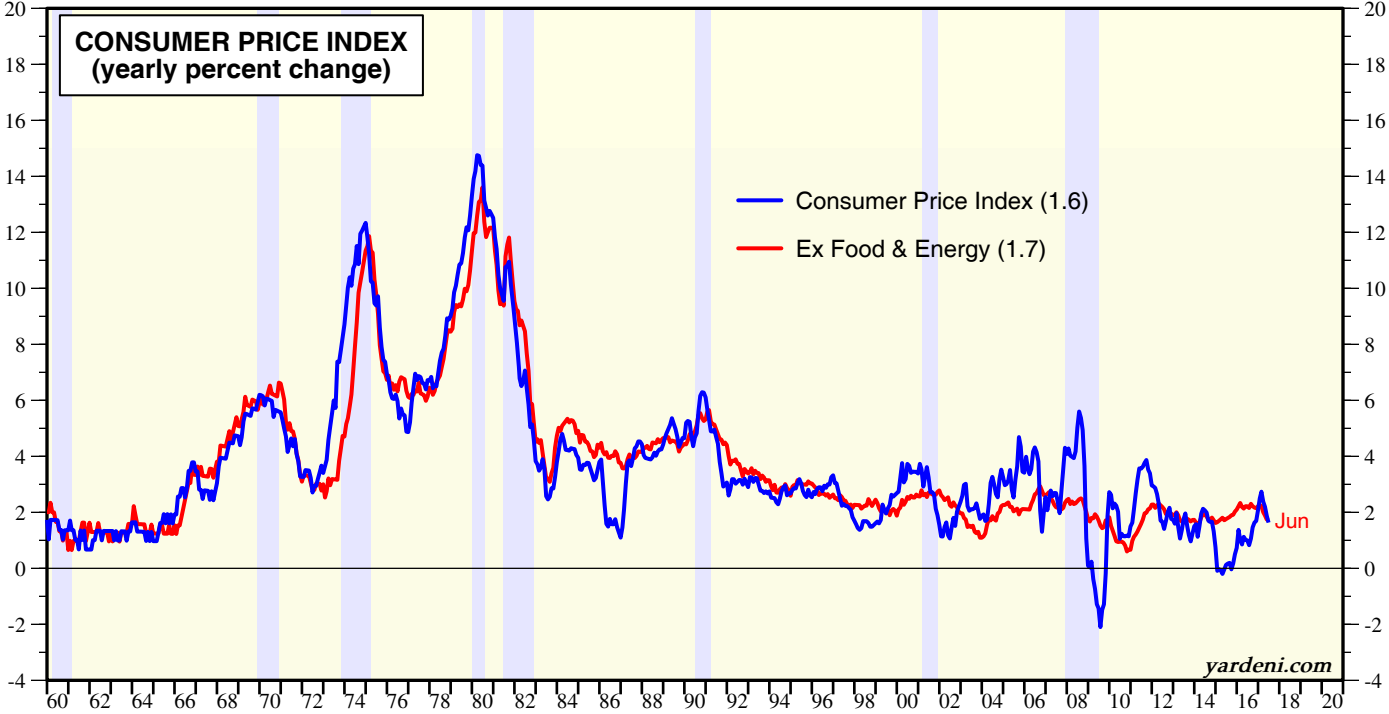
Figure 12.



Note: Blue shaded areas denote periods of monetary easing between cyclical peaks and troughs in the federal funds rate. Red shaded areas denote monetary tightening periods.
Source: The Conference Board.

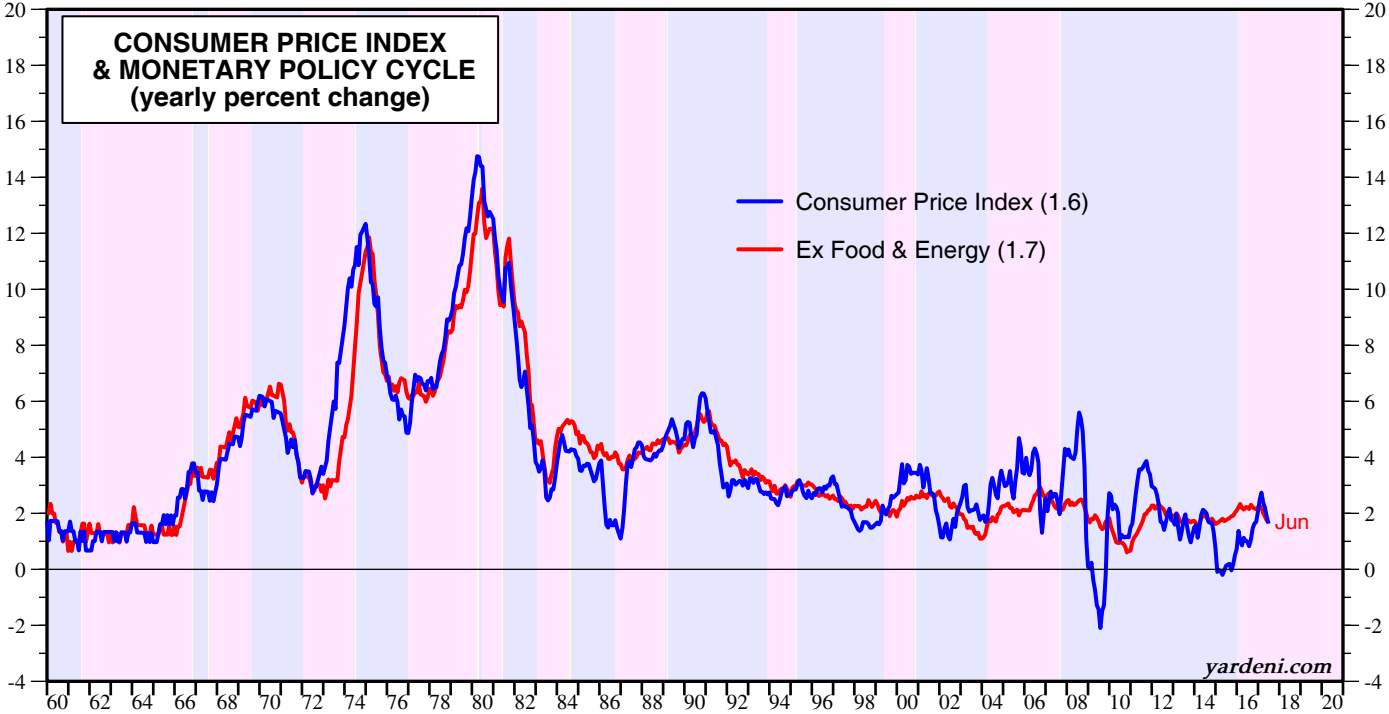
Consumer Price Index

Figure 13.



Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
 Source: Bureau of Labor Statistics.

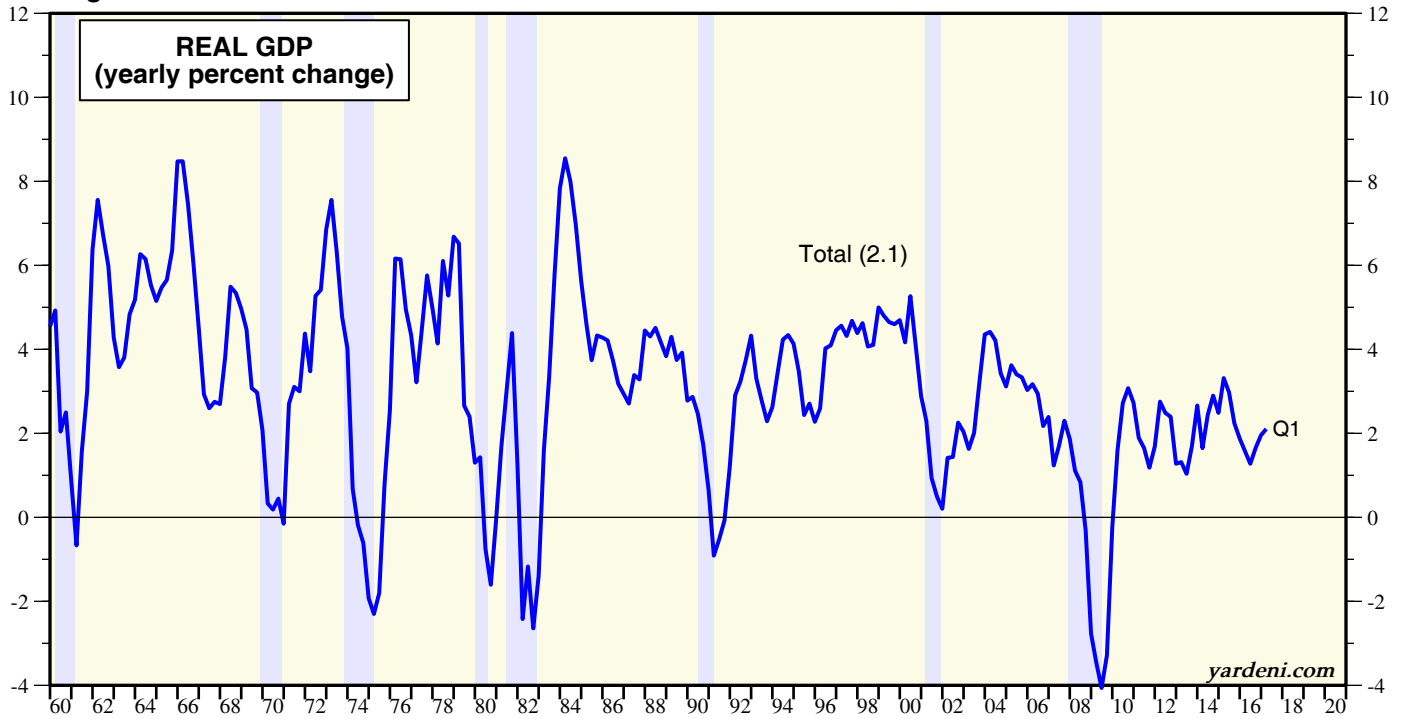
Figure 14.



Note: Blue shaded areas denote periods of monetary easing between cyclical peaks and troughs in the federal funds rate. Red shaded areas denote monetary tightening periods.
 Source: Bureau of Labor Statistics.

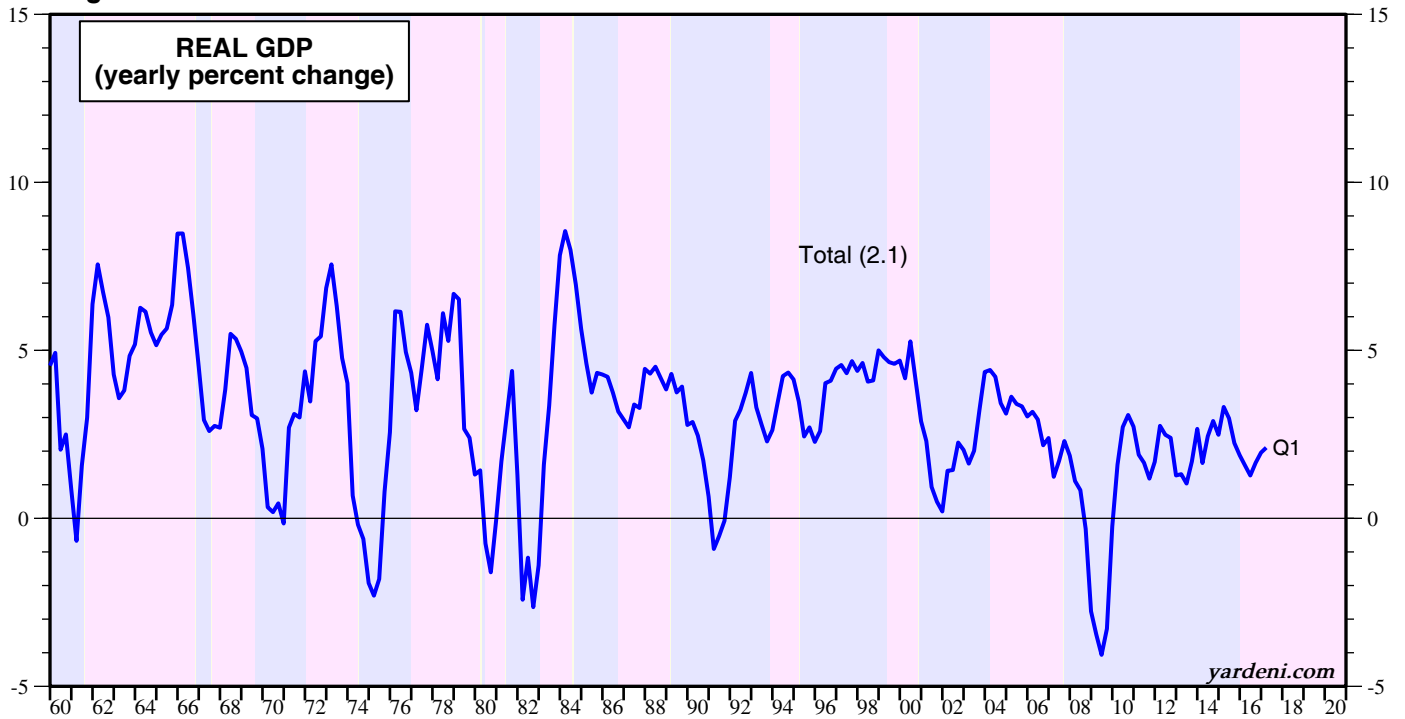
GDP

Figure 15.



Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Labor Statistics.

Figure 16.



Note: Blue shaded areas denote periods of monetary easing between cyclical peaks and troughs in the federal funds rate. Red shaded areas denote monetary tightening periods.
Source: Bureau of Labor Statistics.

Copyright (c) Yardeni Research, Inc. 2017. All rights reserved. The information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness, or correctness of the information and opinions contained herein. The views and the other information provided are subject to change without notice. All reports posted on www.yardeni.com, blog.yardeni.com, and YRI's Apps for iPads and iPhones are issued without regard to the specific investment objectives, financial situation, or particular needs of any specific recipient and are not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not necessarily a guide to future results. Company fundamentals and earnings may be mentioned occasionally, but should not be construed as a recommendation to buy, sell, or hold the company's stock. Predictions, forecasts, and estimates for any and all markets should not be construed as recommendations to buy, sell, or hold any security--including mutual funds, futures contracts, and exchange traded funds, or any similar instruments.

The text, images, and other materials contained or displayed on any Yardeni Research, Inc. product, service, report, email or website are proprietary to Yardeni Research, Inc. and constitute valuable intellectual property. No material from any part of www.yardeni.com, blog.yardeni.com, and YRI's Apps for iPads and iPhones may be downloaded, transmitted, broadcast, transferred, assigned, reproduced or in any other way used or otherwise disseminated in any form to any person or entity, without the explicit written consent of Yardeni Research, Inc. All unauthorized reproduction or other use of material from Yardeni Research, Inc. shall be deemed willful infringement(s) of this copyright and other proprietary and intellectual property rights, including but not limited to, rights of privacy. Yardeni Research, Inc. expressly reserves all rights in connection with its intellectual property, including without limitation the right to block the transfer of its products and services and/or to track usage thereof, through electronic tracking technology, and all other lawful means, now known or hereafter devised. Yardeni Research, Inc. reserves the right, without further notice, to pursue to the fullest extent allowed by the law any and all criminal and civil remedies for the violation of its rights.

The recipient should check any email and any attachments for the presence of viruses. Yardeni Research, Inc. accepts no liability for any damage caused by any virus transmitted by this company's emails, website, blog and Apps. Additional information available on [request](#).