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A Cautionary Note on U.S. Monetary Policy Normalization

May 29, 2018

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Speaking in Tokyo, St. Louis Fed President James Bullard discussed three reasons why caution may be justified in deciding whether to raise the U.S. policy rate (the fed funds rate target) further in the near term. First, market-based inflation expectations in the U.S. remain somewhat low. Second, the current level of the policy rate appears to be neutral, meaning it is putting neither upward nor downward pressure on inflation. Third, the U.S. nominal yield curve could invert later this year or in 2019, which would be a bearish signal for U.S. macroeconomic prospects, he said.

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