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Three Themes for Monetary Policy in 2019

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Speaking at St. Cloud State University in Minnesota, St. Louis Fed President James Bullard discussed three themes for monetary policy this year:

- The Federal Open Market Committee (FOMC) may miss its 2 percent inflation target on the low side for the eighth consecutive year in 2019 based on current readings of market-based inflation expectations.
- Labor markets have been performing well, but the feedback from labor markets to inflation has weakened considerably in the last two decades.
- The Treasury yield curve has flattened significantly, and a meaningful and sustained inversion would send a bearish signal for the U.S. economy.

“Market-based signals such as low market-based inflation expectations and a threatening yield curve inversion suggest that the FOMC needs to tread carefully going forward,” Bullard said. “Through its normalization program, the FOMC has already been sufficiently pre-emptive over the last two years to contain upside inflation risk.”