

St. Louis Fed Sounds the Alarm

After witnessing this morning's CPI release, St. Louis Fed President James Bullard told *Bloomberg News* that he would like to see 100 bps of tightening between now and July. Bullard, *who is an FOMC voting member this year*, didn't go so far as to say he favored a 50 bp move next month (leaving it up to Powell), but he did open the door for a between-meeting rate increase, *something that hasn't occurred in 28 years*. It appears as though a good portion of today's nauseating sell-off is in response to Bullard's comments, although it's not clear that other FOMC members share his extreme urgency.

Yesterday morning, Atlanta Fed President Raphael Bostic, appearing on CNBC, said he anticipates three or four rate hikes this year, but added that "every option is on the table." Later that day, Cleveland Fed President Loretta Mester agreed that every meeting is in play, and that the committee would assess conditions as the economy evolves. Mester didn't see any compelling reason to start with a 50 bp increase, added the committee needed to be "a little bit careful." Mester is also a current voting member.

Last week, several committee members had urged caution with "gradual" being the key word. This morning's uglier-than-expected CPI print may prompt some rethinking, but there are still five weeks before the next Fed meeting and dozens of economic releases yet to factor in along the way.

The Fed's already precarious position got tougher today. Investors will be hyper-focused on any committee member finding a podium between now and the March meeting. Next Thursday, Bullard, Mester, Chicago Fed President Charles Evans and Fed Governor Chris Waller are all scheduled to speak. Evans is well respected, but isn't a voter this year, while Fed Governors always vote. Given Bullard's vocal and market-moving comments today, he'll command the spotlight.

The minutes to the January FOMC are scheduled for release next Wednesday, but since the meeting took place *before* the release of both the January employment report and the January CPI report, the minutes are already stale.

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Market Indications as of 2:37 P.M. Central Time

DOW	Down -580 to 35,188 (HIGH: 36,800)
NASDAQ	Down -339 to 14,151 (HIGH: 16,057)
S&P 500	Down -78 to 4,510 (HIGH: 4,797)
1-Yr T-bill	current yield 1.11%; opening yield 0.88%
2-Yr T-note	current yield 1.60%; opening yield 1.36%
3-Yr T-note	current yield 1.83%; opening yield 1.62%
5-Yr T-note	current yield 1.95%; opening yield 1.82%
10-Yr T-note	current yield 2.03%; opening yield 1.94%
30-Yr T-bond	current yield 2.31%; opening yield 2.24%

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