Predicting the Markets: Chapter 9 Charts: Predicting the Fed
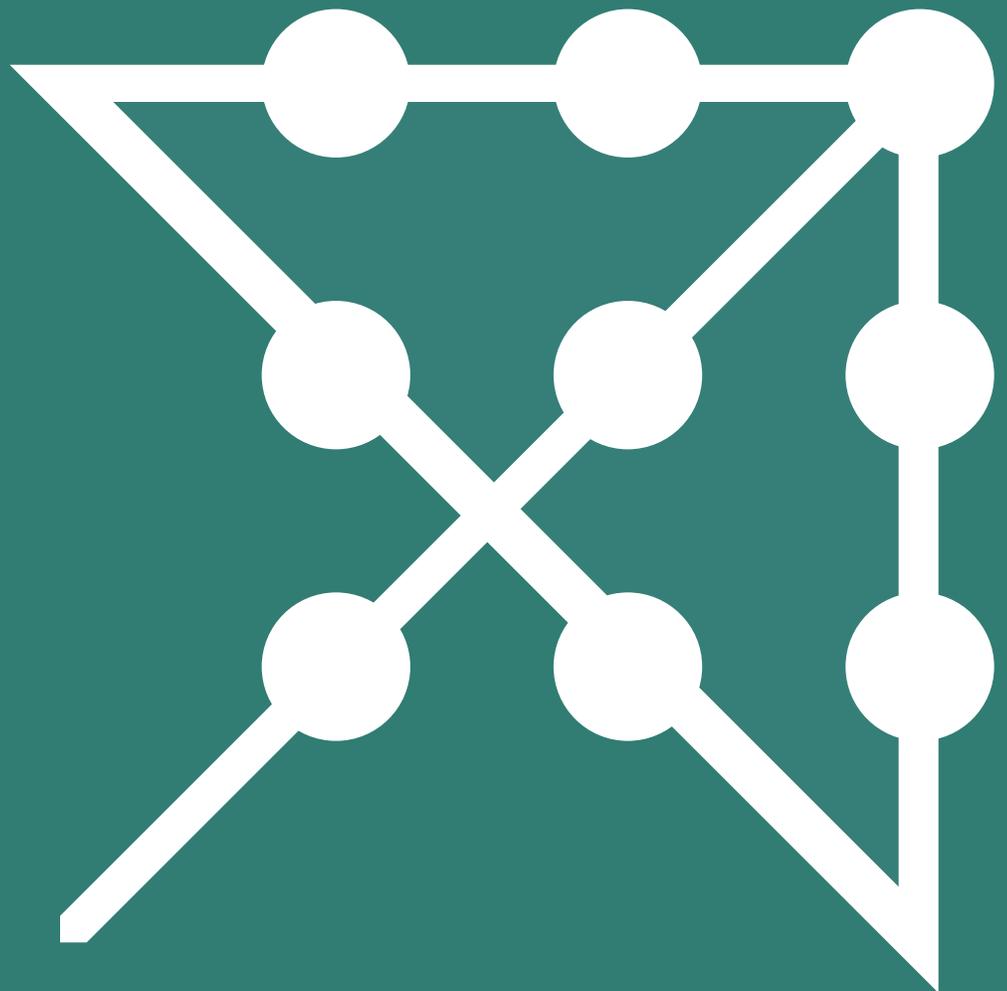
February 25, 2018

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thinking outside the box

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Predicting the Fed

Figure 1.

FED CHAIRS & S&P 500
(monthly, ratio scale)

Martin   Burns   Miller   Volcker   Greenspan   Bernanke   Yellen

297.3   5.0   19.4   220.4   290.3   39.3

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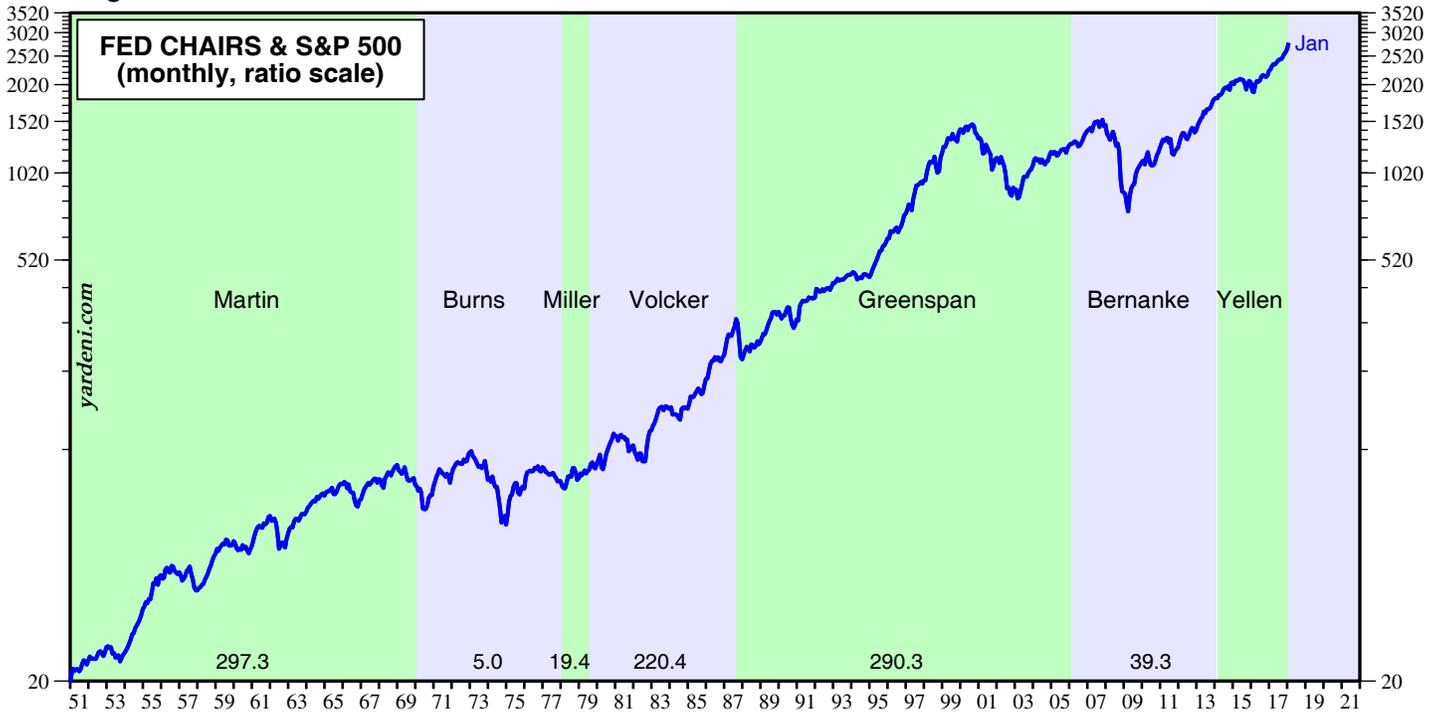
Note: Shades denote terms of Fed chairs. Data above timeline are percentage changes in the S&P 500 index during each term.
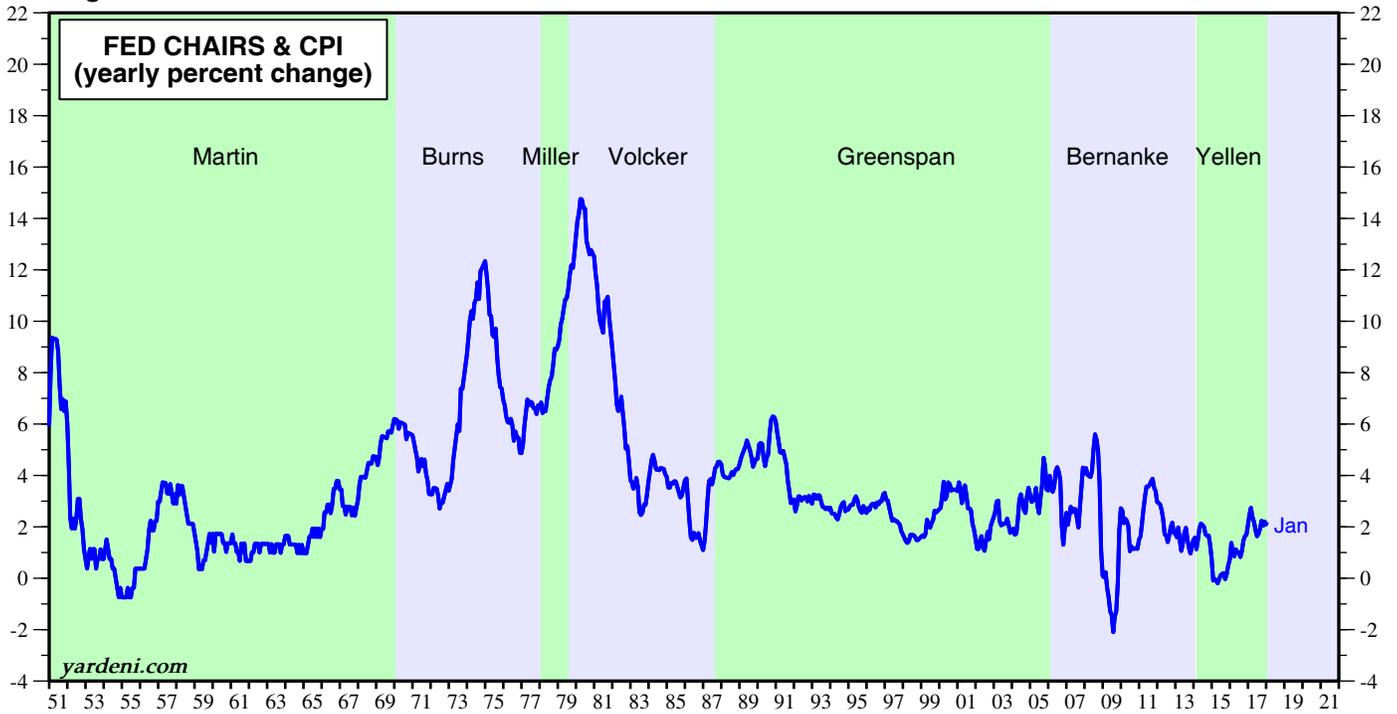Source: Standard & Poor's.

Figure 2.

FED CHAIRS & US TREASURY 10-YEAR YIELD
(percent, weekly)

Martin   Burns   Miller   Volcker   Greenspan   Bernanke   Yellen

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Note: Shades denote terms of Fed chairs. Monthly data from April 1953 to December 1961, then weekly.
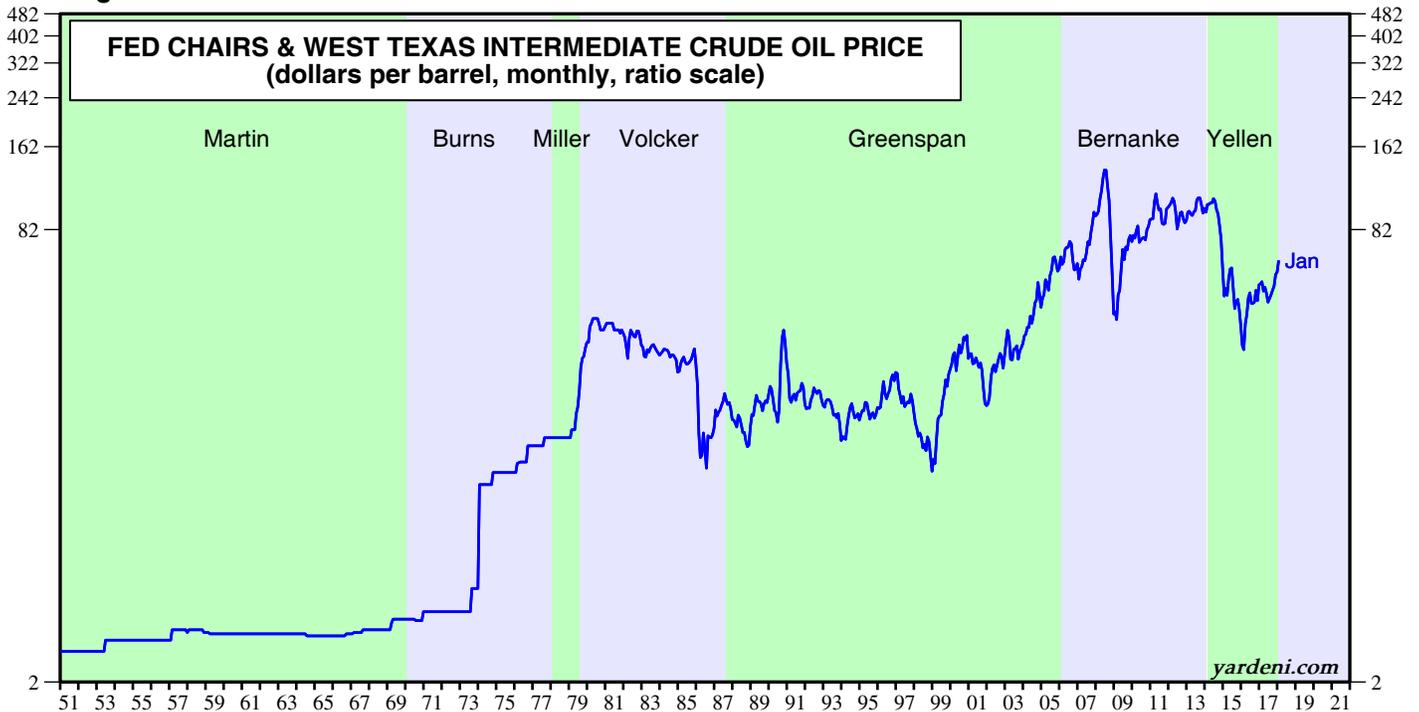Source: US Treasury.

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Figure 3.

FED CHAIRS & CPI
(yearly percent change)

Martin   Burns   Miller   Volcker   Greenspan   Bernanke   Yellen

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Note: Shades denote terms of Fed chairs.
Source: Bureau of Labor Statistics.

Figure 4.

FED CHAIRS & WEST TEXAS INTERMEDIATE CRUDE OIL PRICE
(dollars per barrel, monthly, ratio scale)

Martin   Burns   Miller   Volcker   Greenspan   Bernanke   Yellen

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Note: Shades denote terms of Fed chairs.
Source: Haver Analytics.

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Figure 5.

FED CHAIRS & AVERAGE HOURLY EARNINGS*
(yearly percent change)

Martin Burns Miller Volcker Greenspan Bernanke Yellen

Jan
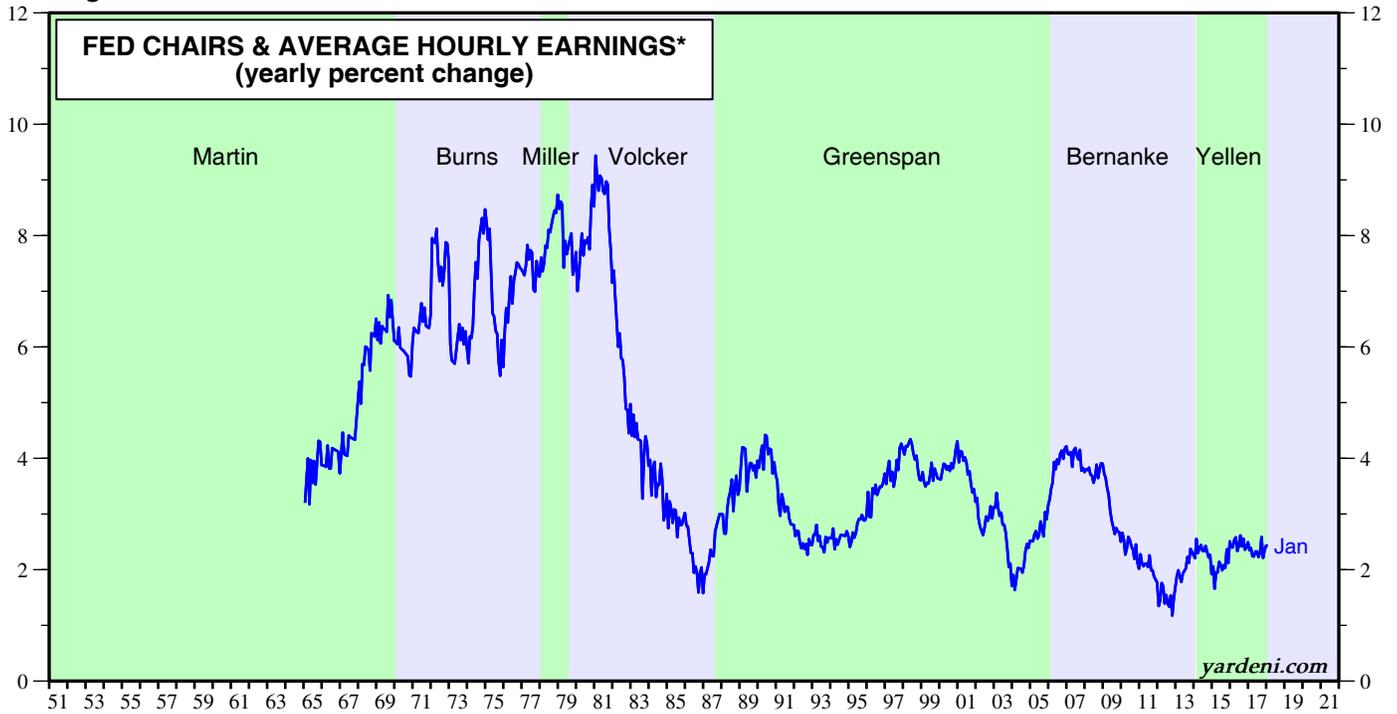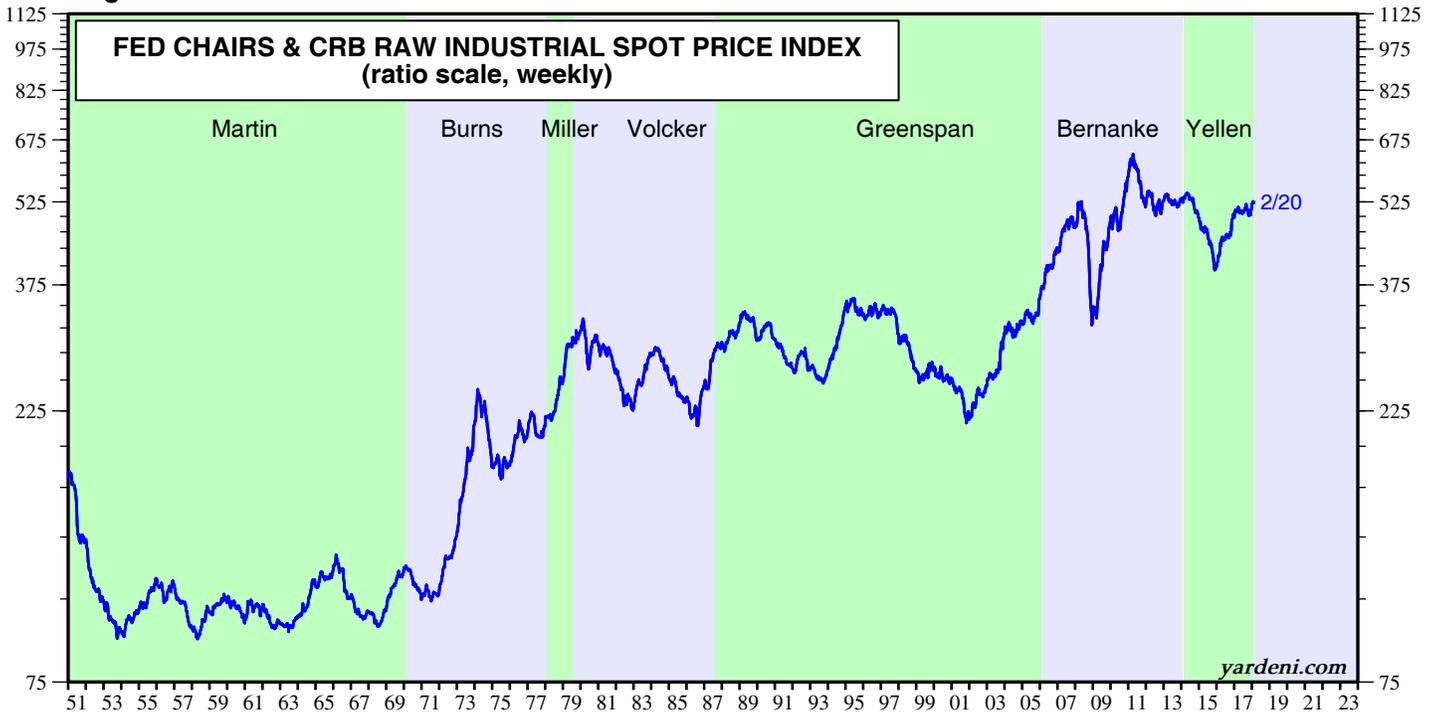
* Production & nonsupervisory workers.
Note: Shades denote terms of Fed chairs.
Source: Bureau of Labor Statistics.

Figure 6.

FED CHAIRS & CRB RAW INDUSTRIAL SPOT PRICE INDEX
(ratio scale, weekly)

Martin Burns Miller Volcker Greenspan Bernanke Yellen

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Note: Shades denote terms of Fed chairs.
Source: Commodity Research Bureau.

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Figure 7.

FED CHAIRS & GOLD PRICE*
(daily, ratio scale)

Martin   Burns   Miller   Volcker   Greenspan   Bernanke   Yellen

2/23

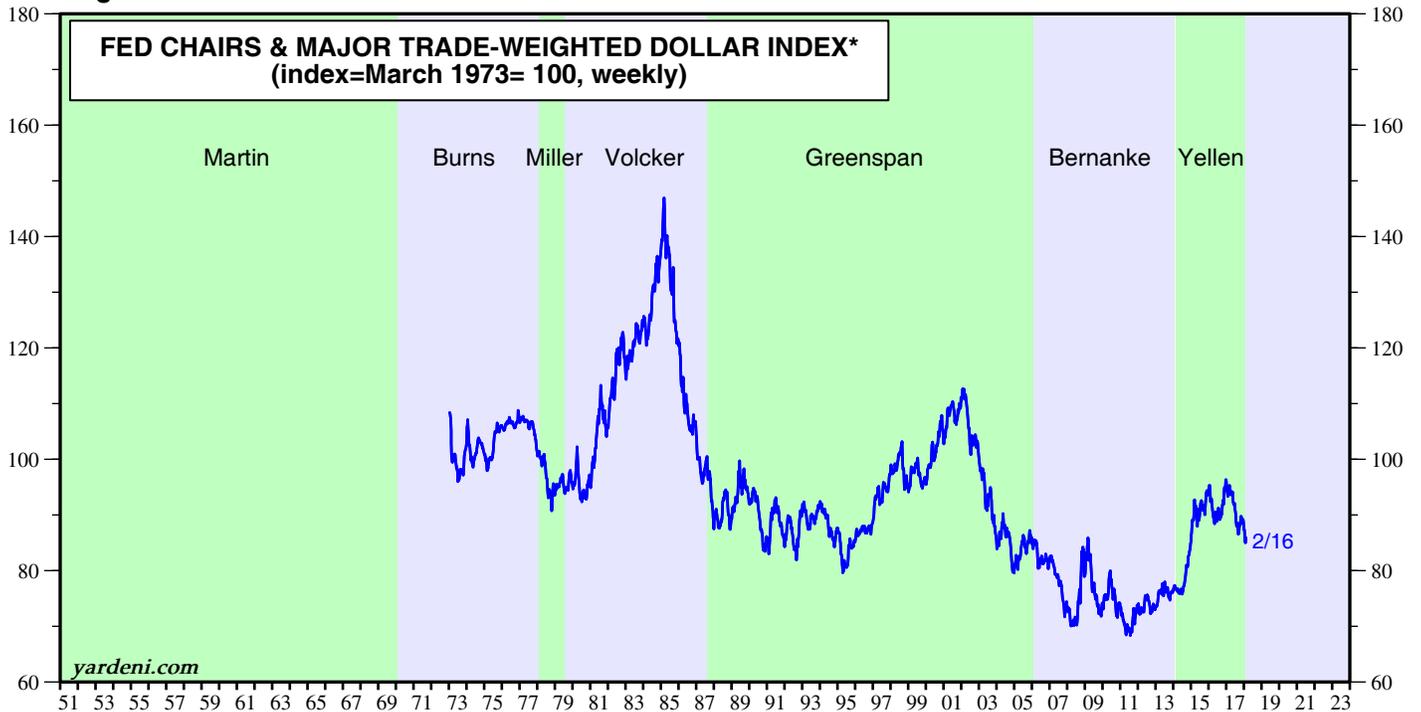* Cash price. London gold bullion, PM Fix. Monthly from 1968 through 1974, then daily.
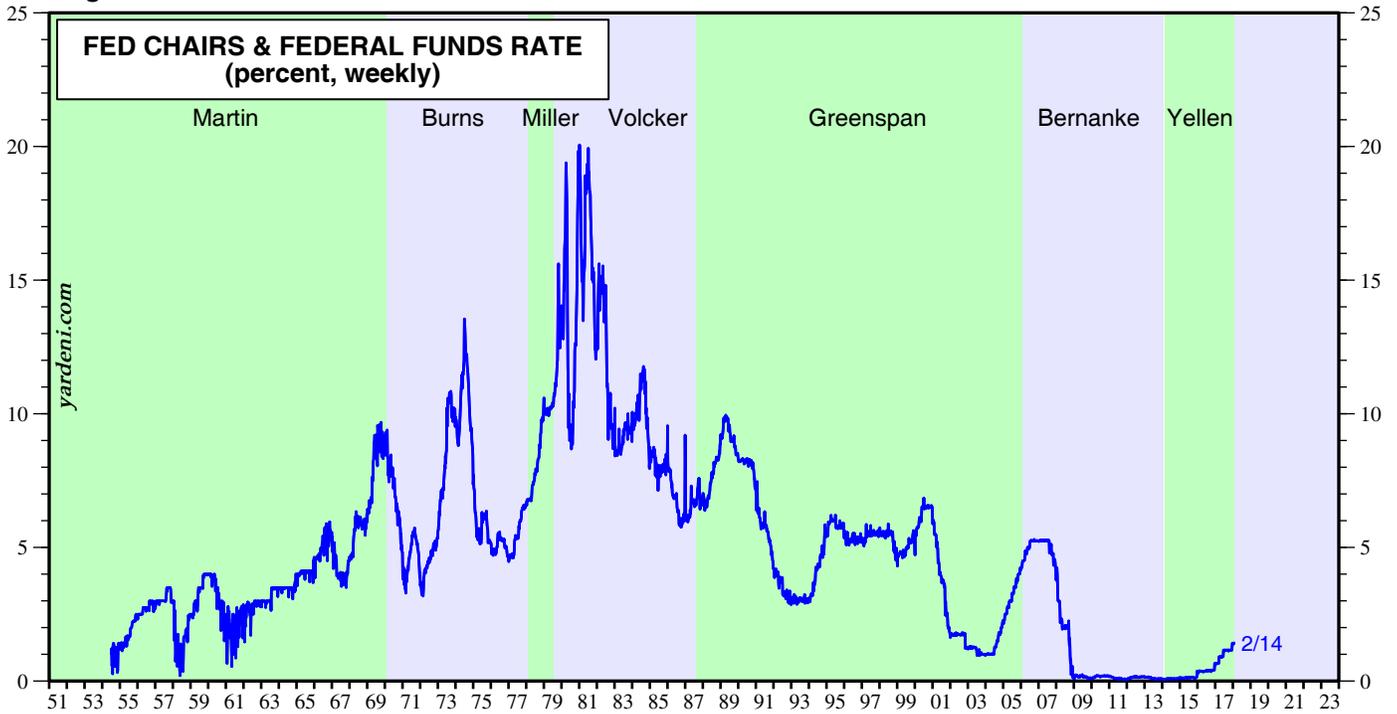Note: Shades denote terms of Fed chairs.
Source: Commodity Research Bureau.

Figure 8.

FED CHAIRS & MAJOR TRADE-WEIGHTED DOLLAR INDEX*
(index=March 1973= 100, weekly)

Martin   Burns   Miller   Volcker   Greenspan   Bernanke   Yellen

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* Major index countries whose currencies are included are the Euro Area, Canada, Japan, United Kingdom, Switzerland, Australia, and Sweden. The
Euro Area includes Germany, France, Italy, Netherlands, Belgium/Luxembourg, Ireland, Spain, Austria, Finland, Portugal, and Greece.
Note: Shades denote terms of office of Fed chairs.
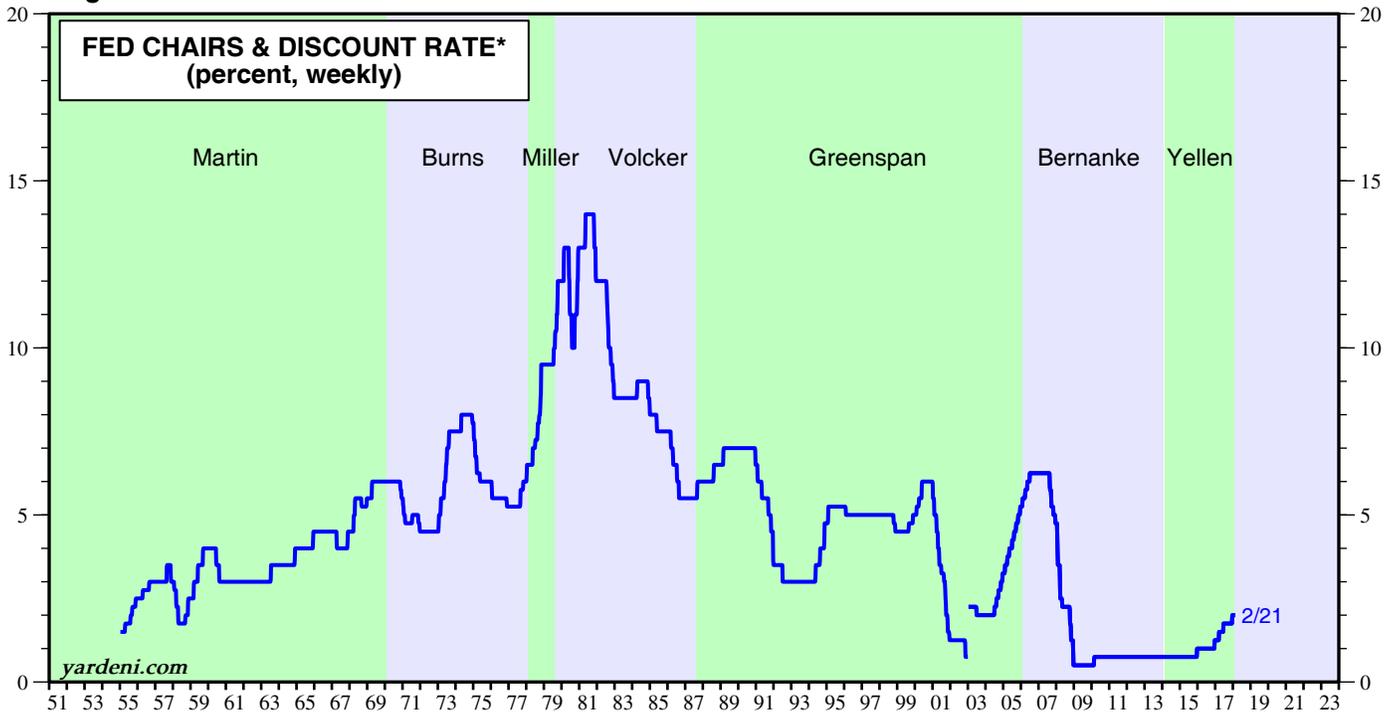Source: Federal Reserve Board.

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FED CHAIRS & FEDERAL FUNDS RATE
(percent, weekly)

Martin   Burns   Miller   Volcker   Greenspan   Bernanke   Yellen

Note: Shades denote terms of Fed chairs.
Source: Federal Reserve Board.

Figure 10.

FED CHAIRS & DISCOUNT RATE*
(percent, weekly)

Martin   Burns   Miller   Volcker   Greenspan   Bernanke   Yellen

* Discount window borrowing rate at the Federal Reserve Bank of New York was discontinued after January 8, 2003 and replaced by the rate charged for primary credit.
Note: Shades denote terms of Fed chairs.
Source: Federal Reserve Board.

Predicting the Fed

Figure 11.
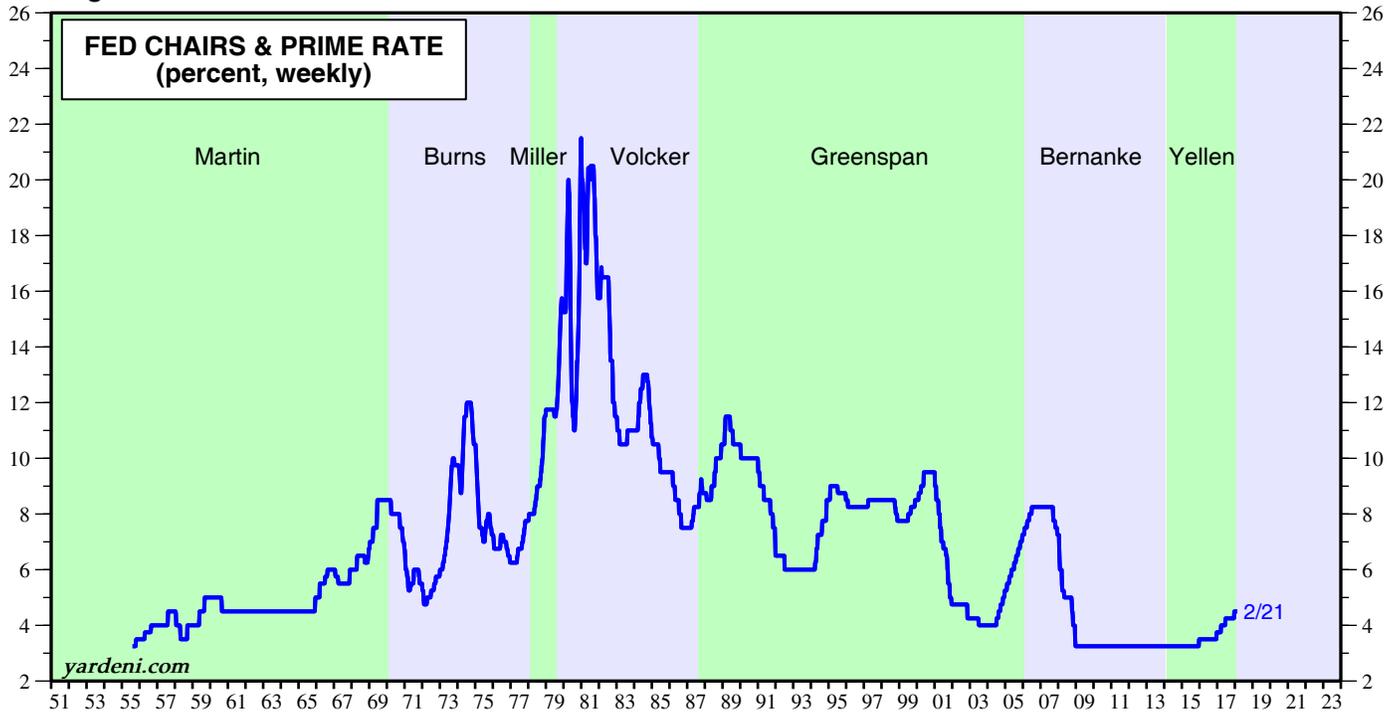
FED CHAIRS & PRIME RATE
(percent, weekly)

Martin   Burns Miller Volcker   Greenspan   Bernanke Yellen

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Note: Shades denote terms of Fed chairs.
Source: Federal Reserve Board.

Figure 12.

FED CHAIRS & UNEMPLOYMENT RATE
(percent)

Martin   Burns Miller Volcker   Greenspan   Bernanke Yellen

Jan

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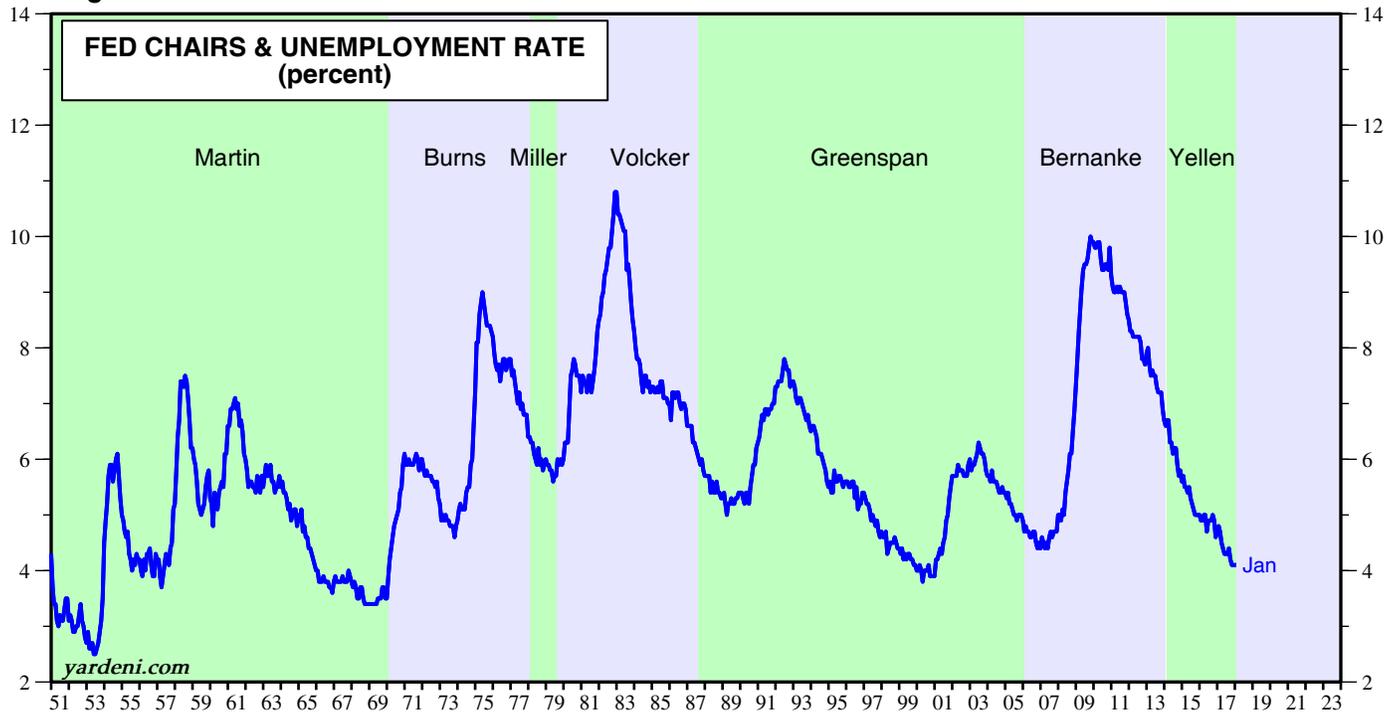
Note: Shades denote terms of Fed chairs.
Source: Bureau of Labor Statistics.

Predicting the Fed

Figure 13.

FED CHAIRS & S&P P/E BASED ON TRAILING EARNINGS*

Martin — Burns — Miller — Volcker — Greenspan — Bernanke — Yellen

Average = 15.1

Q4

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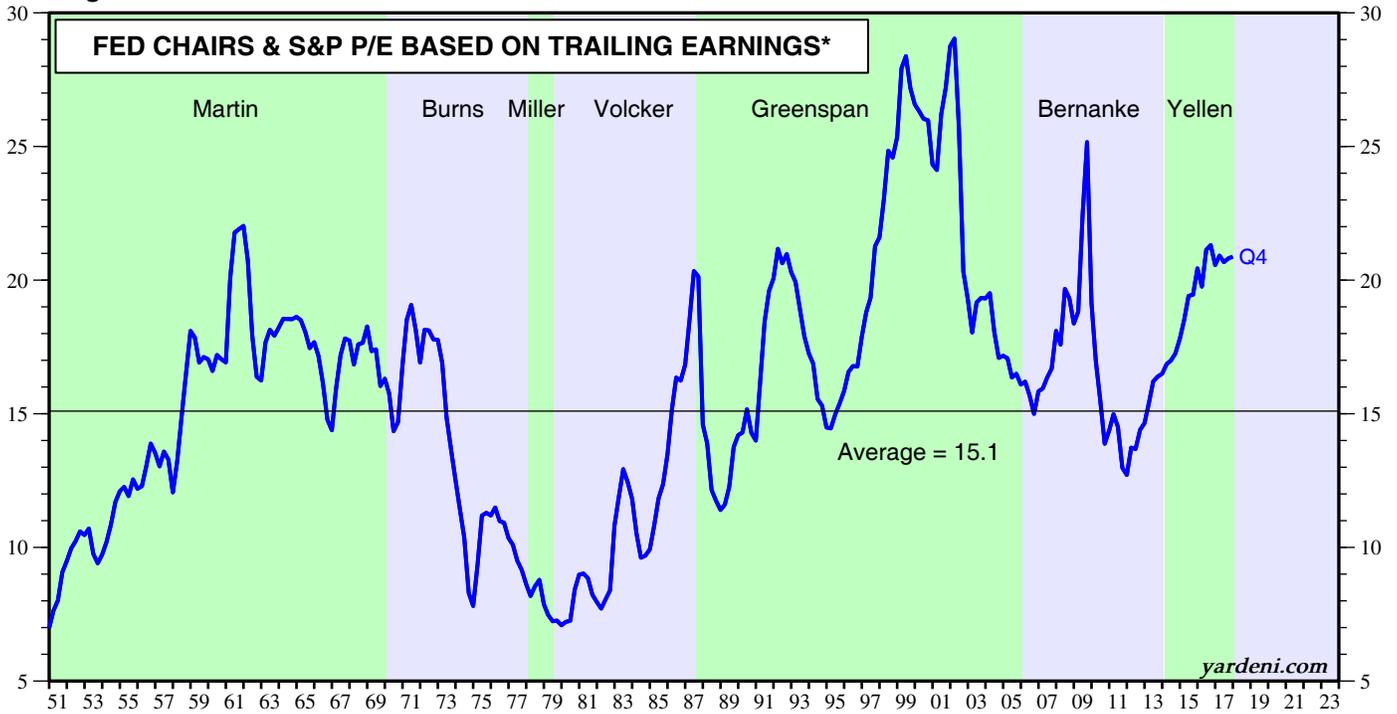
* Using quarterly average of daily data for S&P 500 price index, and 4-quarter trailing reported earnings through Q3-1988, then operating earnings.
Note: Shades denote terms of Fed chairs.
Source: Standard & Poor's.

Figure 14.

EXISTING MEDIAN SINGLE-FAMILY HOME PRICES
(thousand dollars, 12-month moving average)

Martin — Burns — Miller — Volcker — Greenspan — Bernanke — Yellen

Jan

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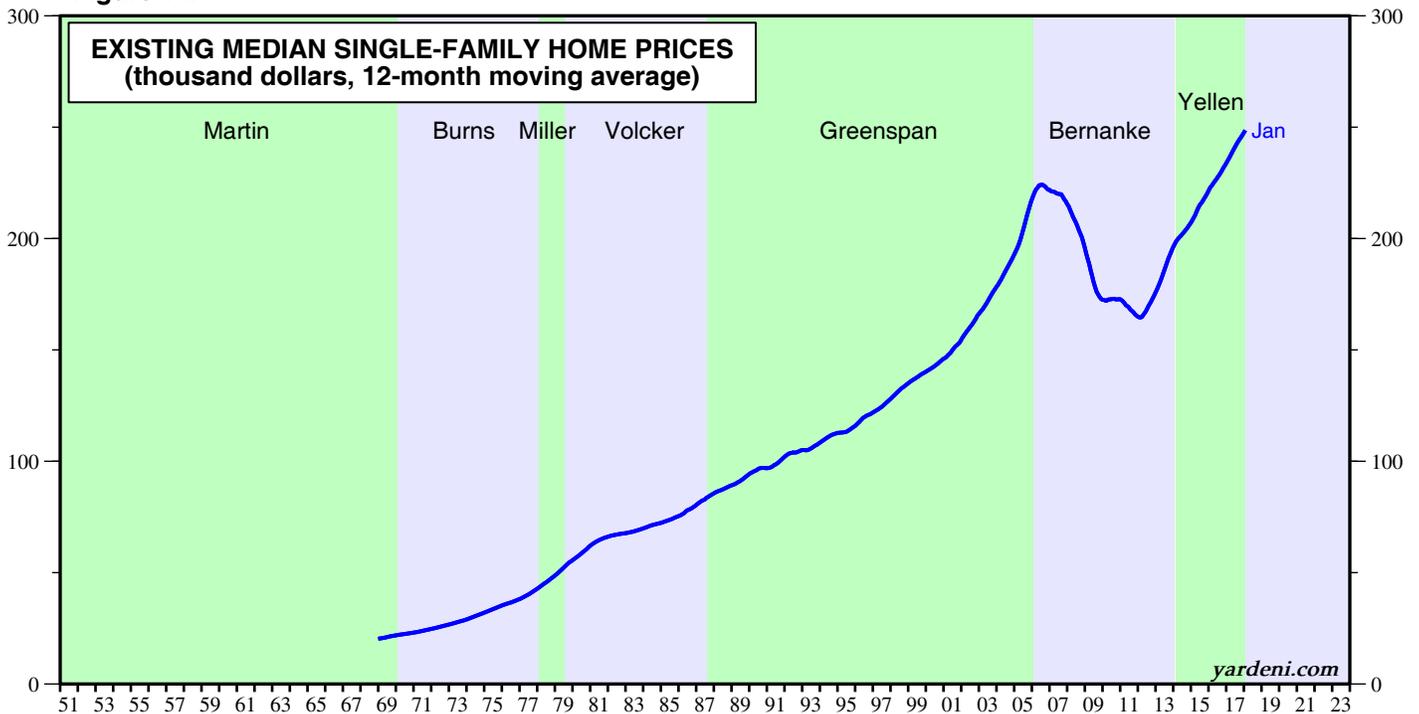
Note: Shades denote terms of Fed chairs.
Source: National Association of Realtors.

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Figure 15.

REAL GDP
(yearly percent change)

Great Moderation

Q4

yardeni.com
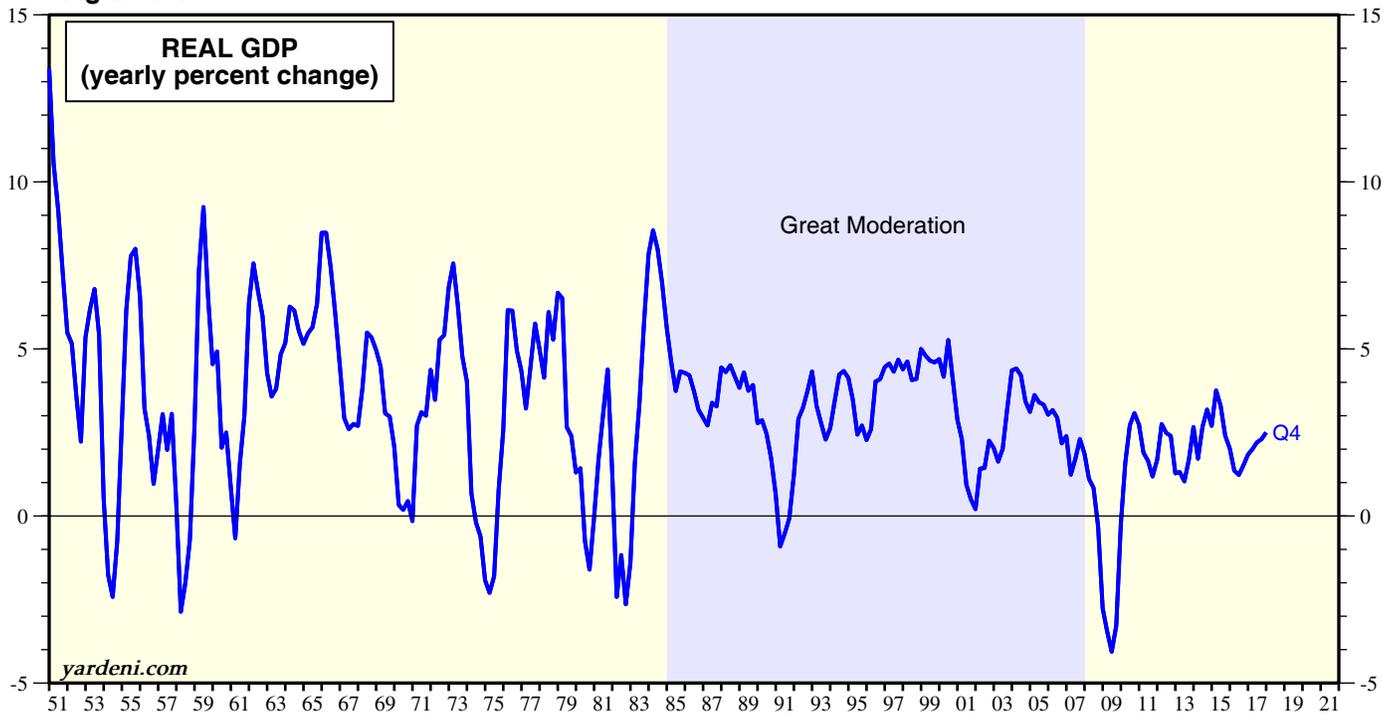
Source: Bureau of Economic Analysis.

Figure 16.

REAL GDP IMPLICIT PRICE DEFLATOR
(yearly percent change)

Great Moderation

Q4

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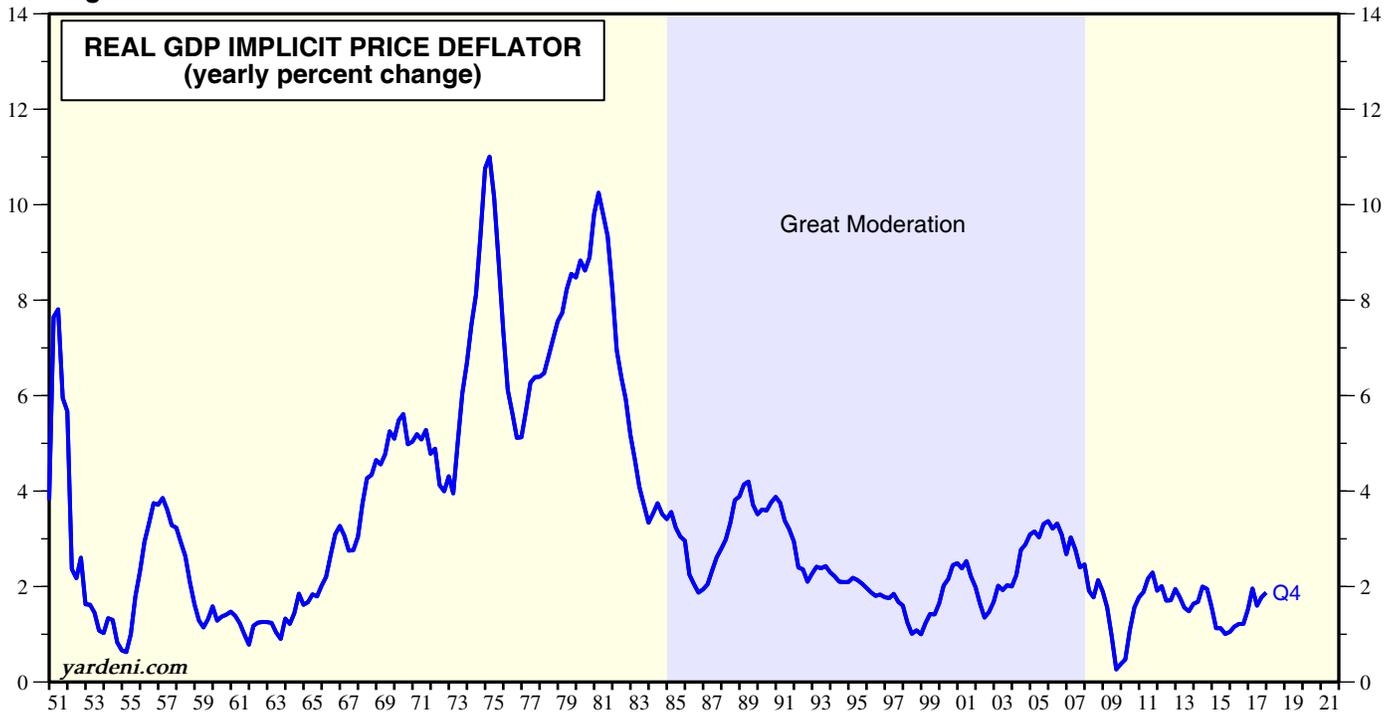
Source: Bureau of Economic Analysis.

Predicting the Fed

Figure 17.

FED'S ASSETS: 2008-2015*
(trillion dollars)

QE1   QE2   QE3

— Total Assets
— US Treasuries
+ Agency Debt
+ MBS

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* Average of daily figures for weeks ending Wednesday.
Note: QE1 (11/25/08) = Fed starts buying $1.24tn in mortgage securities. QE1 expanded (3/16/2009) = Fed starts buying $300bn in Treasuries.
QE2 (11/3/10) = Fed starts buying $600bn in Treasuries. QE3 (9/13/12) = Fed starts buying $40bn/month in mortgage securities (open ended).
QE3 expanded (12/12/12) = Fed starts buying $45bn/month in Treasuries.
Source: Federal Reserve Board.

Figure 18.

FED'S ASSETS: 2008-2015*
(trillion dollars)

QE1   QE2   QE3

— US Treasury
Securities
— Agency Debt +
MBS
— MBS

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* Average of daily figures for weeks ending Wednesday.
Note: QE1 (11/25/08) = Fed starts buying $1.24tn in mortgage securities. QE1 expanded (3/16/2009) = Fed starts buying $300bn in Treasuries.
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QE3 expanded (12/12/12) = Fed starts buying $45bn/month in Treasuries.
Source: Federal Reserve Board.

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Figure 19.

EUROZONE: GOVERNMENT 10-YEAR BOND YIELDS
(percent)
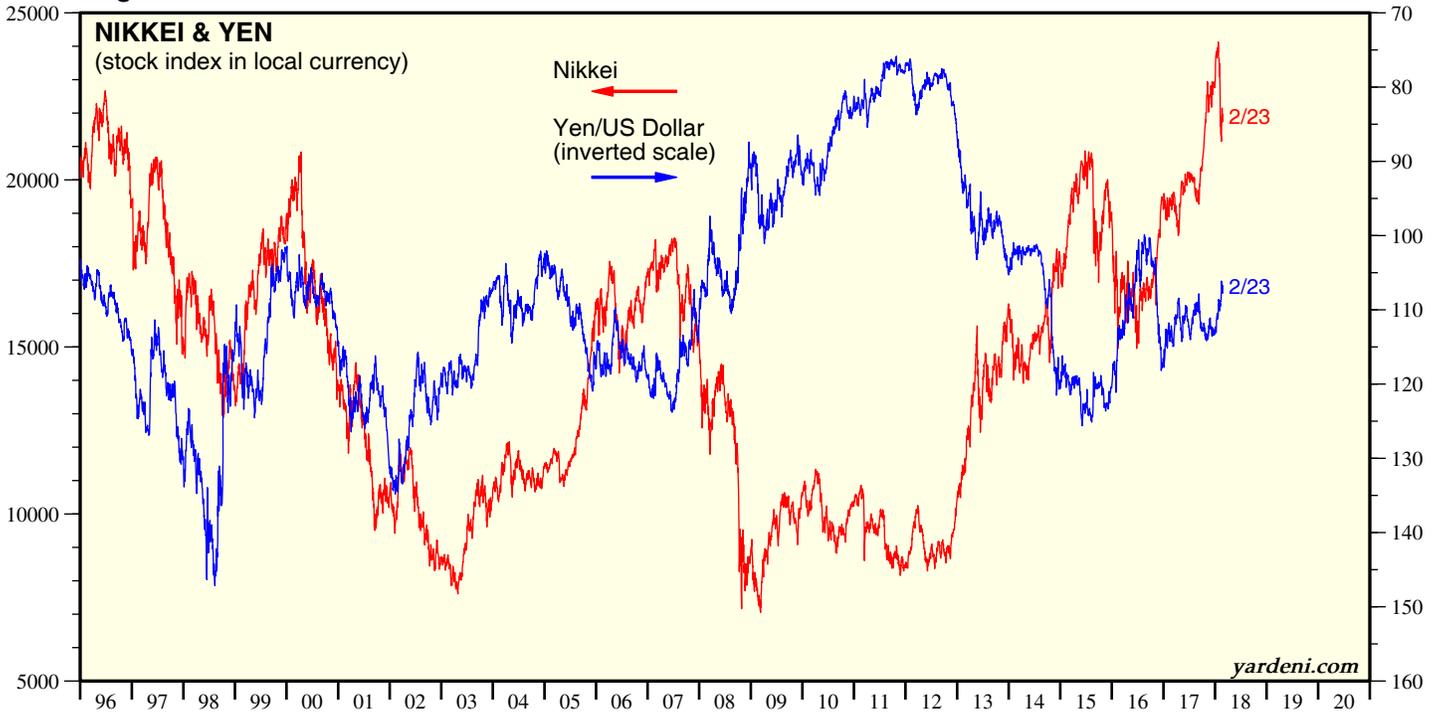
Bond Yields
- France
- Germany
- Italy
- Spain

Note: D (7/26/12) = ECB President Mario Draghi pledged to do "whatever it takes" to defend the euro. NIRP (6/5/2014) = negative interest-rate policy. QE (1/22/15) = quantitative easing. QEE (3/10/16) = expansion and extension of QE with corporate bond purchases started 6/1/16.
Source: Financial Times.

Figure 20.
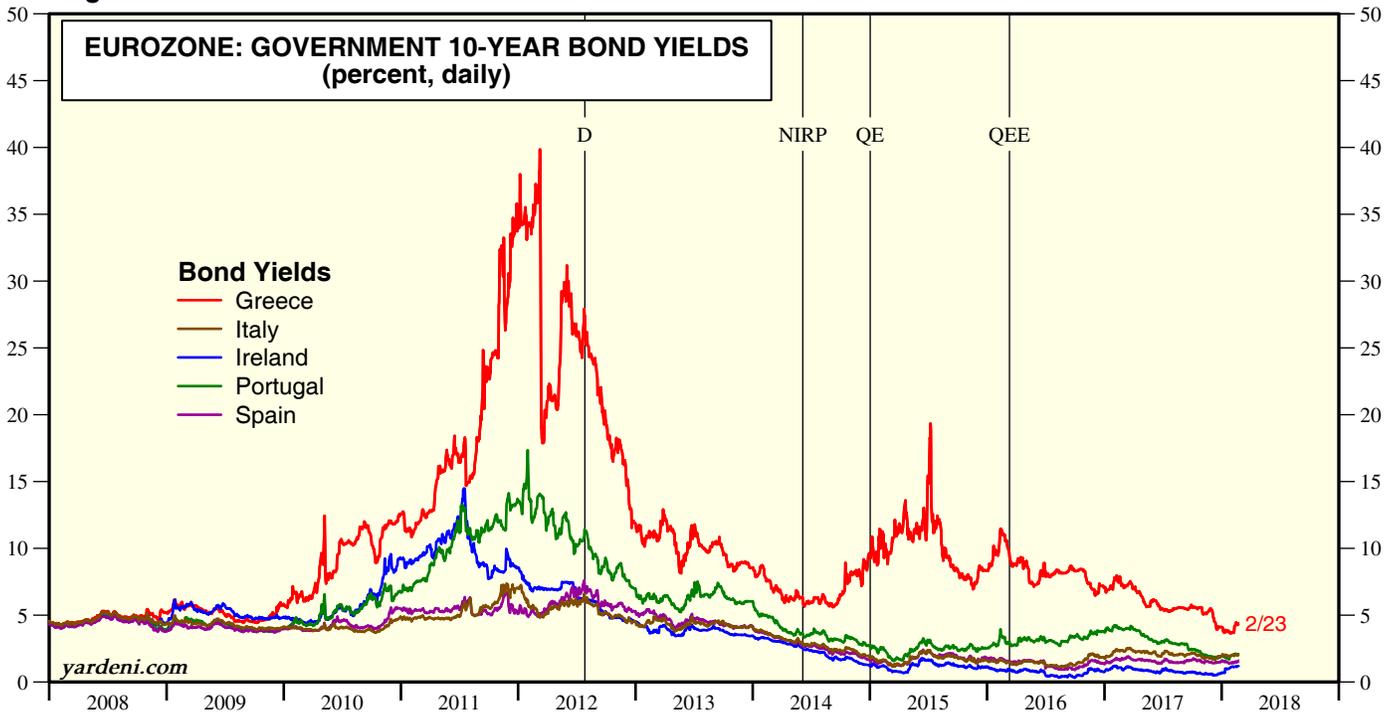
EUROZONE: GOVERNMENT 10-YEAR BOND YIELDS
(percent, daily)

Bond Yields
- Greece
- Italy
- Ireland
- Portugal
- Spain

Note: D (7/26/12) = ECB President Mario Draghi pledged to do "whatever it takes" to defend the euro. NIRP (6/5/2014) = negative interest-rate policy. QE (1/22/15) = quantitative easing. QEE (3/10/16) = expansion and extension of QE with corporate bond purchases started 6/1/16.
Source: Financial Times.

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Figure 21.

D = ECB President Mario Draghi pledged to do "whatever it takes" to defend the euro (7/26/12). NIRP = negative interest-rate policy (6/5/2014).
QE (1/22/15). QEE = expansion and extension of QE (3/10/16, corporate bond purchases started 6/1/16).
Source: European Central Bank.

Figure 22.

D = ECB President Mario Draghi pledged to do "whatever it takes" to defend the euro (7/26/12). NIRP = negative interest-rate policy (6/5/2014).
QE (1/22/15). QEE = expansion and extension of QE (3/10/16, corporate bond purchases started 6/1/16).
Source: European Central Bank.

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Figure 23.

NIKKEI & YEN
(stock index in local currency)

Nikkei

Yen/US Dollar
(inverted scale)

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2/23

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Source: Haver Analytics.

Figure 24.

CHINA: M2 & BANK LOANS
(trillion US dollars)

— M2
— Bank Loans (nsa)

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Jan

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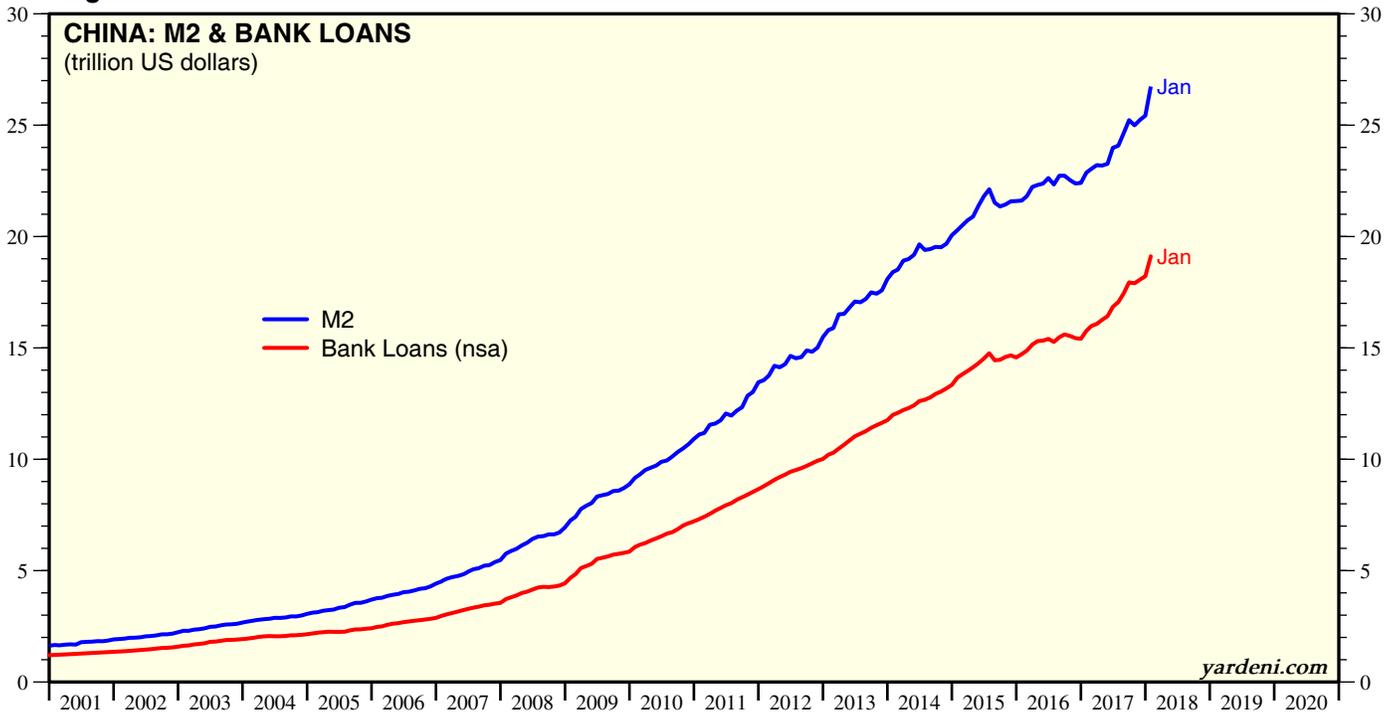
Source: People's Bank of China.