Heterogeneous-Agent Economies.")

May 22, 2019

Presented at Monetary Policy and Heterogeneity Conference, Hong Kong Monetary Authority and Federal Reserve Bank of New York, Hong Kong, China. (This presentation is titled "Classic Policy Benchmarks for Heterogeneous Agent Economies.")

- **February 11, 2020**. Presentation. "Can the FOMC Achieve a Soft Landing in 2020?" CFA Society St. Louis, St. Louis, Mo. Presentation (pdf) (bullard_cfa_st_louis_11_february_2020pdf) | Press Release.

Can the FOMC Achieve a Soft Landing in 2020?

February 11, 2020

[Presentation (pdf)](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2020/bullard_cfa_st_louis_11_february_2020.pdf)| [Press Release](https://www.stlouisfed.org/news-releases/2020/02/11/bullard-can-fomc-achieve-soft-landing)

St. Louis Fed President James Bullard discussed how actions by the Federal Open Market Committee (FOMC) have changed the outlook for shorter-term U.S. interest rates considerably since November 2018, ultimately providing more accommodation to the economy. "This has helped to create a reasonable prospect that the U.S. economy will achieve a soft landing in 2020," he said during a presentation to the CFA Society St. Louis.

Bullard also discussed three questions about a soft landing. "One question for 2020 is whether global trade policy uncertainty has sufficiently been dampened to now encourage global manufacturing," he said. Another question is whether interest-sensitive sectors in the U.S. will respond to the 2019 change in U.S. monetary policy, Bullard pointed out. And the third question is whether the coronavirus outbreak in China is likely to be contained as other viral outbreaks have been, he noted. “The answer to all three questions is, ‘Let’s wait and see,’” he said.

St. Louis Fed's Bullard Presents "Can the FOMC Achieve a Soft Landing in 2020?"

ST. LOUIS –In a [presentation](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2020/bullard_cfa_st_louis_11_february_2020.pdf)Tuesday to the CFA Society St. Louis, Federal Reserve Bank of St. Louis President James Bullard discussed whether the Federal Open Market Committee (FOMC) can achieve a soft landing for the U.S. economy in 2020.

Bullard noted that U.S. economic growth slowed on a year-over-year basis in 2019. The FOMC took action to facilitate a soft landing by dramatically altering the path of monetary policy during 2019, he explained.

“The current baseline outlook for 2020 suggests a reasonable chance that a soft landing will be achieved,” Bullard said. During his presentation, he also discussed three factors that could affect a soft landing.

U.S. Monetary Policy Changes in 2019
The FOMC was cognizant of the slowing economy during 2019 and began to project fewer increases in the policy rate during the first half of 2019, Bullard noted. In June, the FOMC indicated that a lower policy rate might be warranted, he said. He added that the FOMC then made policy rate cuts at three successive meetings, ending 2019 with a net reduction of 75 basis points.

Bullard suggested that the size of this turnaround in U.S. monetary policy has been much larger than those rate reductions alone would suggest, given that the expectation as of late 2018 was that the FOMC would actually raise rates further, not lower rates, in 2019.

He pointed out that, because of FOMC actions, the two-year Treasury yield dropped by 144 basis points from early November 2018 to early January

2020. Additional reductions in the two-year Treasury yield since early January are likely attributable to risk to the global economy from the coronavirus outbreak in China, Bullard noted.

“The bottom line is that U.S. monetary policy is considerably more accommodative today than it was as of late 2018,” he said.

Factors that Could Affect a Soft Landing

Bullard then discussed three questions about a soft landing. “One question for 2020 is whether global trade policy uncertainty has sufficiently been dampened to now encourage global manufacturing,” he said.

“Another question is whether interest-sensitive sectors in the U.S. will respond to the 2019 change in U.S. monetary policy,” he said. And the third question is whether the coronavirus outbreak in China is likely to be contained as other viral outbreaks have been, Bullard noted.

“The answer to all three questions is, ‘Let’s wait and see,’” he said.

Dampened Trade Policy Uncertainty

Bullard explained that global trade policy uncertainty has abated in recent weeks as the U.S. and China signed a trade accord, the U.S. Congress approved the United States-Mexico-Canada Agreement (USMCA), and the U.K. approved a plan to depart the European Union.

“Trade regime uncertainty has been chilling global investment and feeding into slower global growth,” he said. “Lower trade regime uncertainty, combined with business strategy adjustments that have taken place over the last two years, may provide a better environment for global manufacturing,” he continued.

Monetary Policy Effects

Bullard noted that monetary policy changes are thought to have effects on the real economy with some lags. “Some of the most visible effects occur in interest-sensitive sectors, such as housing,” he said.

To illustrate the effects of the turnaround in U.S. monetary policy, Bullard pointed to the two-year Treasury yield, which has declined since late 2018, and the change in existing home sales, which turned positive on a year-over-year basis in the second half of 2019.

Coronavirus: A New Risk

Bullard also addressed the economic impact of the coronavirus outbreak. “In recent weeks, the coronavirus outbreak in China, in addition to being a human tragedy, has been a major topic in global financial markets,” he said.

Bullard explained that the efforts to bring the virus under control are substantial enough that the Chinese economy is expected to grow noticeably slower in the first quarter of 2020 than it otherwise would have.

“Experience with previous viral outbreaks suggests that the effects on U.S. interest rates can be tangible and last until the outbreak is clearly contained,” he said, pointing to the effects on the 10-year Treasury yield of other viral outbreaks, such as SARS, swine flu, avian flu and Ebola.

Conclusion
Bullard noted the FOMC has taken actions that have changed the outlook for shorter-term U.S. interest rates considerably since November 2018, ultimately providing more accommodation to the economy.

“This has helped to create a reasonable prospect that the U.S. economy will achieve a soft landing in 2020,” he said.

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- **January 9, 2020**. Presentation. "A Soft Landing in 2020?" Economic Forecast Luncheon, Wisconsin Bankers Association, Madison, Wis.

Presentation (pdf) (bullard_wisconsin_bankers_association_9_january_2020pdf) | Press Release | Video.

A Soft Landing in 2020?

January 9, 2020

[Presentation (pdf)](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2020/bullard_wisconsin_bankers_association_9_january_2020.pdf)| [Press Release](https://www.stlouisfed.org/news-releases/2020/01/09/bullard-discusses-a-soft-landing)| [Video](https://www.stlouisfed.org#video)

During a presentation in Madison, Wis., St. Louis Fed President James Bullard discussed how U.S. economic growth slowed on a year-over-year basis in 2019. “The Federal Open Market Committee (FOMC) took action to help ensure a soft landing by dramatically altering the path of monetary policy during 2019,” he said. “The current baseline economic outlook for 2020 suggests a reasonable chance that the soft landing will be achieved.”

Bullard also addressed some downside risks to growth, including global trade policy uncertainty and renewed geopolitical risk. He noted that global trade policy uncertainty is likely to remain high over the medium term, but firms are now adjusting business strategies to remain profitable in the face of this uncertainty. Regarding the intensification of geopolitical risk, he said this may mean higher oil prices, but the ultimate impact of that on the U.S. economy may be approximately neutral given lower oil intensity and higher production in the U.S. than historical levels.

Having trouble with the video? Watch it [here](https://wiseye.org/player/?clientID=2789595964&eventID=2020011008&startStreamAt=2200).

St. Louis Fed's Bullard Discusses “A Soft Landing in 2020?”