

- [President Bullard's website](https://www.stlouisfed.org/from-the-president)
- Presentation: [When Quantitative Tightening Is Not Quantitative Tightening](https://www.stlouisfed.org/from-the-president/speeches-and-presentations/2019/quantitative-tightening)
- On the Economy: [Reflections on Crisis to Recovery](https://www.stlouisfed.org/on-the-economy/2018/june/bullard-reflections-crisis-recovery)

This blog offers commentary, analysis and data from our economists and experts. Views expressed are not necessarily those of the St. Louis Fed or Federal Reserve System.

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All other [blog-related questions](mailto:on-the-economy@stls.frb.org)

- **February 7, 2019.** Presentation. "[Three Themes for Monetary Policy in 2019.](#)" The 57th Winter Institute, St. Cloud State University, St. Cloud, Minn. [Presentation \(pdf\)](#) ([bullard_st_cloud_state_university_7_february_2019pdf](#)) | [Press Release](#).

Three Themes for Monetary Policy in 2019

February 7, 2019

[Presentation (pdf)](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2019/bullard_st_cloud_state_university_7_february_2019.pdf) | [Press Release](https://www.stlouisfed.org/news-releases/2019/02/07/bullard-three-themes-monetary-policy-2019)

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.”

St. Louis Fed's Bullard Discusses Three Themes for Monetary Policy in 2019

St. Cloud, Minn. –Federal Reserve Bank of St. Louis President James Bullard discussed [“Three Themes for Monetary Policy in 2019”](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2019/bullard_st_cloud_state_university_7_february_2019.pdf)at St. Cloud State University’s 57th Winter Institute on Thursday.

The first theme was related to low market-based inflation expectations. Bullard noted that 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.

The second theme was related to the very weak feedback from labor markets to inflation. “Labor markets have been performing well, but the feedback from labor markets to inflation has weakened considerably in the last two decades,” he said.

The third theme was related to the flattened yield curve. “The Treasury yield curve has flattened significantly, and a meaningful and sustained yield curve inversion would send a bearish signal for the U.S. economy,” he said.

Market-Based Inflation Expectations Are Low

Bullard pointed out that the FOMC has missed its personal consumption expenditures (PCE) inflation target on an annual basis every year since 2012.

“Market-based measures of inflation expectations suggest that financial markets believe the FOMC will again miss its PCE inflation target to the low side in 2019 and, indeed, for the next five years,” he said.

He noted that market-based measures of inflation expectations provide an important benchmark for current monetary policy. These expectations take into account all available information affecting the likely evolution of inflation going forward, he explained.

Feedback from Labor Markets to Inflation Is Weak

Bullard noted that U.S. monetary policymakers and financial market participants have long relied on the Phillips curve—the correlation between labor market outcomes and inflation—to guide monetary policy.

“However, these correlations have broken down during the last two decades, so they no longer provide a reliable signal,” he said. “Policymakers have to look elsewhere to discern the most likely direction for inflation.”

Yield Curve Inversion Threatening

Bullard then discussed the yield curve, which has flattened significantly. He noted that various measures of yield spreads are all trending toward inversion.

An inversion would suggest that financial markets expect less inflation and less growth ahead for the U.S. economy than does the FOMC, which influences the short end of the curve, he explained. He added that inversions have been associated with recessions in the postwar U.S. data.

Conclusion

“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.”

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- **January 14, 2019.** Article. "[Fed lessons from zero lower bound.](#)" (0119-minpdf) OMFIF's *The Bulletin*, January 2019, p. 10. (offsite pdf)
- **January 10, 2019.** Presentation. "[Perspectives on 2019 Monetary Policy.](#)" Power Up Little Rock, Little Rock Regional Chamber, Little Rock, Ark. [Presentation \(pdf\)](#) ([bullard_little_rock_regional_chamber_10_january_2019pdf](#)) | [Press Release](#) | [Video](#) | [Photos](#).

Perspectives on 2019 Monetary Policy

January 10, 2019

[Presentation (pdf)](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2019/bullard_little_rock_regional_chamber_10_january_2019.pdf) | [Press Release](<https://www.stlouisfed.org/news-releases/2019/01/10/perspectives-2019-monetary-policy>) | [Video](<https://www.stlouisfed.org#video>) | [Photos](<https://www.stlouisfed.org#photos>)

On Thursday, Jan. 10, St. Louis Fed President James Bullard outlined his perspective on monetary policy in 2019 at Power Up Little Rock, an event hosted by the Little Rock Regional Chamber. Bullard noted that U.S. monetary policymakers reacted to the upside surprise in macroeconomic performance during 2017 and 2018 by taking the opportunity to normalize U.S. short-term interest rates.

“Market-based signals such as low market-based inflation expectations and a threatening yield curve inversion suggest that this window of opportunity