Capital Markets Strategy
Essential inCights for the C-Suite

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Chart of the Day

Looking back at the 12 Fed tightening cycles in the post-WWII era, the Fed only avoided a "hard landing" on three occasions (mid-1960s, 1983, and 1994). Historically, recessions have been more likely to follow tightening cycles when the total rate increases were larger and when initial and peak inflation were higher. Given the strength of the US economy, it is quite possible that a "hard landing" in this tightening cycle could look more like a "growth recession" (i.e., 0-1% growth) than a technical recession (< 0% growth for 2 Qs).

US rate cycles and recession periods

Tightening Cycle	Total bps hiked	Peak inflation rate	Hard or soft landing?
1954 - 1957	227 bps	3.7%	Hard
1958 – 1960	305 bps	3.6%	Hard
1964 – 1966	210 bps	3.8%	Soft
1968 – 1969	500 bps	6.2%	Hard
1972 – 1974	850 bps	12.3%	Hard
1977 – 1980	1,040 bps	14.8%	Hard
1980 – 1981	790 bps	11.0%	Hard
1983 – 1984	250 bp	4.8%	Soft
1988 – 1989	300 bps	5.2%	Hard
1994 – 1995	300 bps	3.0%	Soft
1999 – 2000	175 bps	3.8%	Hard
2004 – 2006	425 bps	4.7%	Hard
Median: "hard landing" scenarios	*425 bps*	*5.2%*	
Median: "soft landing" scenarios	*250 bps*	*3.8%*	

Source: (1) Oxford Economics, "What History Tells us About Rate Hikes and Recession Risk" (May 9, 2022). 2017-2018 tightening cycle not included because interrupted by exogenous COVID shock.

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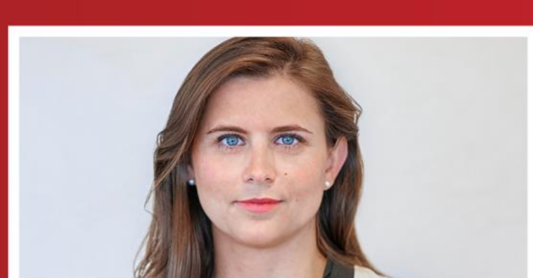

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