PREVIEW: FOMC Minutes due Wednesday 22nd February at 19:00GMT/14:00EST

FEB FOMC SUMMARY: On February 1st the Fed hiked its FFR by 25bps to 4.5-4.75%, as expected, with interest on excess reserves rising by the same magnitude to 4.65%. The statement continued to use "ongoing increases" in the Fed rate being appropriate, coming against some expectations that the line could be dropped in order to give optionality for a lower terminal rate than the 5-5.25% median dot in the December SEPs. While that didn't happen, we did see a switch in language on guidance from the "pace of future increases" to the "extent of future increases", suggestive of debate moving from the size of hike increments to how many hikes remain in the cycle, a dovish offset to the continued use of "ongoing increases". Elsewhere in the statement, the Fed acknowledged that inflation has eased somewhat, but remains elevated, while it also dropped the mentioning of public health as a factor in the bank's policy assessment. Chair Powell sat on the fence on many topics he was asked about in his post-meeting press conference, rather than cut off his options. The Fed Chair confirmed that the disinflation process was underway, albeit he was eager to highlight that core services inflation, ex-housing, had not shown progress. He believes that policy is still not ‘sufficiently restrictive’, but left optionality by stressing data dependence, later saying that it is possible that the Fed updates its policy path if the data came in differently from what it expects. Powell said the Fed has not yet made a decision on the terminal rate, and that it will look at the data between now and the March SEPs. The Fed chief sees a path to getting inflation to 2% without significant economic decline, though it could take more slowing in the economy than it expects.

DATA: Many will consider the February minutes as stale as recent US data has been on the hot side, including the January jobs, CPI, and retail sales reports. These were released after the latest FOMC meeting and will not have been a discussion for the Fed, where instead the minutes will reflect a period of time when officials were gaining confidence in calling out the beginning of the "disinflationary process", right before the labour market showed a material retightening with no signs of cooling economic activity after a mild slump in December.

MAGNITUDE: Although the latest 25bp hike from the Fed was a unanimous decision among the voters, commentary since then (in wake of the hot data) has seen some of the non-voting hawks, Mester and Bullard, state there was a compelling case for a 50bp hike in February. The minutes will be viewed to see if there was much more appetite among the FOMC for a larger 50bp move in February, and the hurdles for returning to the higher magnitude going forward. However, on the flip side, with the slight tweak to guidance from "pace of future increases" to the "extent of future increases", commentary on conditions for a pause, or how many more hikes are needed will also be eyed, but likely considered stale given the data since. SGH Macro's Tim Duy writes the minutes "will likely reveal that FOMC participants believed that stepping down to a pace of 25bp would allow the Fed to respond flexibly to incoming data".

PEAK RATE: The Fed has signalled more rate hikes are coming with the December Median dot plot pencilling in the terminal rate at 5.00-5.25%, suggestive of two more 25bps hikes before they take a pause. Money markets are currently pricing a peak rate of just above 5.25%, after a dramatic hawkish repricing in wake of the January NFP report. Amid some post-FOMC chatter of returning to a 50bps hike, with the caveat that those calls are from a hawkish minority, the minutes will be eyed for any hints of a higher terminal rate, albeit this seems unlikely given the meeting took place before the recent hot economic data. However, the minutes may contain details about the conditions required to raise their planned terminal rate ahead of the March 21st/22nd FOMC and accompanying Dot Plot.