

*Faustian Fed Watching*  
*(Holiday Edition)*

After more than a year pretending to be a **Fed Watcher**, I've made a premature New Year's resolution to **get serious**. What better time than the holidays, so here's the **inaugural hot tips**...

- After analyzing policy for a **considerable period**, we're confident that rates will rise in the coming year at a **pace that is likely to be measured**--probably in basis points, but perhaps in other units.
- We're watching closely to see if the FOMC modifies its **surprising pledge** to "monitor inflation developments closely," but we see the widely-expected move to **slipshod monitoring** to be unlikely at this time.
- Our contacts suggest widespread support for **permanently including** in the statement that inflation will run below target due to **recent declines in energy prices**. We believe that the FOMC will **hold off** on this move until we see this for **one more year**.