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Trump verses Powell, again and again

Perhaps if President Trump would communicate in a longer form than a tweet, we might be able to understand him clearer. In a social media post two weeks ago, he lambasted Jerome Powell, chair of the Federal Reserve, for suggesting Trump's tariffs would likely raise inflation enough to keep the central bank from cutting rates. The actual words were that Powell's "termination cannot come soon enough." It now seems that Trump didn't mean he would try to push him out, but that he can't wait until Powell's term ends (in May of 2026). At least that could be the explanation for why last week, the President said that he has "no intention of firing" Powell.

The markets shouldn't have to be in the business of interpreting what a US president means, but the bigger point is the suggestion that he even has the right to interfere with the Fed's decision-making is undermining confidence in its ability to guide us through this period of high inflation without hitting a recession. We still expect policymakers to actually give Trump what he is asking for by cutting rates by around 50 basis points this year. The irony might be that the reason they might not could be Trump's own doing, if the trade war does indeed cause inflation to re-accelerate.

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