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Focus on Powell

It's a Federal Open Market Committee meeting week. A quarter-percentage-point hike seems a fait accompli, so the attention once again will turn to Federal Reserve Chair Jerome Powell's press conference. Economic data continues to be such a mix of positive and negative reports that his nuances will help right-size market expectations for monetary policy.

One example is that the Leading Indicators index continues to decline, typically a sign a recession is in the offing. However, the labor market has not cooled appreciatively. Weekly jobless claims slipped last week, meaning fewer people have filed for initial unemployment benefits. Another is that inflation has fallen, as measured by the Consumer Price Index, but wage gains are high, especially for people taking new positions.

The Fed would like to believe these and other mixed signals means it has tackled inflation without sending the U.S. into a recession. But ever since the missteps in handling inflation in the 70s and 80s, policymakers are far more likely to err on the side of more, rather than fewer restrictions.

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