



Weekly Commentary

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The ball is in the Senate's court

Just weeks away from Jerome Powell's last day as Chair of the Federal Reserve, we might actually get a successor.

That process took another step last week when the Senate Banking Committee opened hearings on the White House's nominee Kevin Warsh. Warsh reiterated his preference for a smaller Fed balance sheet but emphasized this should be long-term objective to avoid disrupting funding markets. He also repeated his earlier criticism of forward guidance and suggested that new frameworks could be adopted. The issue of Fed independence arose many times, each with Warsh replying he would not take direction on monetary policy from any politician, especially a US president.

Warsh's candidacy had been unlikely to advance to the Senate floor vote because of member objections to the Department of Justice probe of Powell for allegedly misstating aspects of the Fed's renovation project. But Friday afternoon, the US attorney general for the District of Columbia dropped the investigation. The Senate will likely hold a full confirmation vote soon.

Of course, the Fed still has a job to do. It will give a policy update following its Federal Open Market Committee meeting this Wednesday. Expectations are for it to hold the federal funds target range at 3.50-3.75%. The focus will be on Powell's potentially last press conference as no projections are released at this meeting. He surely will do his best to limit the questions to policy despite inevitable questions about his tenure as Chair and if he will stay on the Board of Governors.

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