Weekly Commentary

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Perplexing Powell

The last few weeks saw a bevy of speeches and media appearances by Federal Reserve officials. In fact, few Fed governors and regional presidents didn't express their opinions. But their views on the course of monetary policy were so similar they didn't seem individual as much as repeating a party line. This isn't unusual for the Fed, especially in a time when it is making rapid changes in policy.

The stance—that it might be appropriate to slow the pace of hikes of the benchmark federal funds rate hikes as early as the December Federal Open Market Committee (FOMC) meeting—likely was endorsed by Chair Jerome Powell. But a speech he gave at the Brookings Institution last week still held a good deal of significance. Would he validate a deceleration in tightening or push back on the markets' growing belief that a pivot in policy was fast approaching due to inflation measures seeming to abate? Turns out he did neither, with prepared remarks suggesting the former and dialogue that alluded to the latter. The appearance lacked the clarity of his last string of speeches and his press conference following the last FOMC meeting.

And so it is uncertain to what result the midmonth meeting will lead. The rate decision likely will be a slight downshift to a 50 basis-point hike after several huge 75 basis-point ones. But Powell may feel the need to stem investor optimism, especially if the November Consumer Price Index dips again and in light of the still strong labor market.

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