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Weekly Commentary

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Fed Chair Warsh views Inflation landscape at Jackson Hole

Hosted by the Kansas City Fed, the annual Federal Reserve symposium in Jackson Hole, Wyo., is like any conference in that it has a theme. This year's "Financial Innovation: Implications for Payments and Policy." Presumably, the staff and leaders of the global central banks that attend will learn from each other and leave with a more unified approach to the fast-moving world of tokenization, stablecoins and blockchain.

But the greater financial world is mostly concerned with the first event, the Fed Chair's keynote address. It typically serves as an update on US monetary policy for August, a month traditionally without an official Federal Open Market Committee (FOMC) meeting. It was no different when Chair Warsh took to the podium on Friday. He reaffirmed the policy focus on returning inflation to the Fed's long-held, and long-elusive, 2% target.

"The responsibility for 65 months of sustained, elevated inflation sits squarely with the central bank. And that is where it belongs," he said. "We must be confident that underlying inflation is moving to our objective clearly and at sufficient speed. Otherwise, we have work to do."

The fed funds futures market took his words as suggesting a hike might come in the September FOMC meeting, but only by a 60-40 split. We are in the 40% camp, namely we do not expect a hike next month, but perhaps before year-end.

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