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# Weekly Commentary

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## Things are about to get interesting at the Fed

Could we soon see a dissenter in the ranks of the Federal Reserve?

Last week, New York Fed President John Williams and Fed Governor Waller argued the case for continued policy tightening to subdue inflation. That's been the refrain of the Federal Open Market Committee (FOMC) for around a year now. But Chicago Fed president Austan Goolsbee said the Fed should have "prudence and patience," looking at the data. This view stems in part from the lagging nature of rate hikes to the fallout from the foundering of Silicon Valley Bank. While mismanagement played a large role in its failure, the slew of rate hikes over that last year or so contributed. Policymakers want to make certain inflation has been contained but don't want to "break" something in the economy. Especially a bank.

The minutes of the March FOMC showed officials weighed this. There were calls for leaving rates unchanged. In the end the decision to raise the target range by 25 basis points was unanimous. But consensus might be strained at the upcoming meeting. The March Consumer Price Index report was mixed. While annualized inflation plummeted compared to February, from a growth of 6% to 5%, the core reading, which strips out the volatile energy and food components, actually was higher. The reading of 5.5% in February gave way to 5.6%. Considering oil pricing pressure has decreased recently, the core is probably more accurate of an indicator than it usually is.

Traders seem to have hands over their eyes and noise-canceling ear buds. The fed fund futures market are currently pricing cuts beginning as early as July, with three 25 bps cuts before the end of the year, all in sharp contrast to Fed projections of no easing this year. That is not the path we envision in the back half of the year. But agreement over the best route is unlikely, setting up the potential for a contentious May meeting.