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Uncertain path

Federal Reserve officials seem less sure about their coming rate decision than the markets are. While the futures market is forecasting a more than 97% chance that the Federal Open Market Committee (FOMC) will hold the fed funds target rate at 3.50-3.75% when it meets March 17-18, its members are less unanimous.

Ahead of Atlanta Fed President Raphael Bostic's retirement, he warned that inflation may have stalled at a level "unacceptably" above the 2% target and the Fed's credibility was at risk. Other officials highlighted the strength of the labor market as a reason to remain on an extended pause. Continuing with his ultra-dovish stance was Governor Stephen Miran, who will remain on the Board of Governors until the Senate confirms Fed Chair nominee Kevin Warsh. He thinks the Fed will need to cut four times this year and would rather get them "sooner than later."

What of the data? Last week saw the release of the January Producer Price Index. It increased 0.5% month-over-month and 2.9% year-over-year; both higher than expected as wholesalers continue to feel pressure on costs. The big question is how much of this pressure businesses are passing on to customers. The February Consumer Price Index report will have a lot to say about that, and it will arrive before the March FOMC meeting.

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