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Following up

Federal Reserve Chair Jerome Powell set the tone, and the rest of the board began to amplify it last week. Powell appeared on 60 Minutes to reiterate his comments in the post Federal Open Market Committee meeting (Jan. 31), talking again about the need to reach a “level of confidence” that inflation actually will fall before pivoting to easing rates. Recent measures suggest price pressures might have hit resistance levels well above the Fed’s 2% target.

Other policymakers said they want to see more reports on inflation, and that being patient is the best approach. “If we just keep getting more data like what we have gotten, I believe that we should be well on the path to normalization,” said Austan Goolsbee, president of the Chicago Fed. He is not a voting member of the FOMC, but all participants can contribute to the discussions at the meetings.

It's more of the same this week, with nine separate speeches on the docket. It's unlikely we will hear material divergence from this batch. The markets are finally (again) heeding the Fed's words. The futures rate projections shifted down to four cuts in the remainder of this year. At one point, futures had suggested at least five. Crucially, this week, six policymakers speak after the announcement of the Consumer Price Index (CPI) for January, released Tuesday morning. Listen carefully to word choice, especially if CPI moves significantly.

Views are as of the date above and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.

Consumer Price Index (CPI): A measure of inflation at the retail level.

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