FLORIDA PRIME™

Weekly Commentary

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Blackout

Despite some hints of disagreement, Federal Reserve policymakers got on the same page last week just before the mandatory blackout period, in which they don't talk to the public or media outlets ahead of a policy-setting meeting.

All who spoke emphasized the importance of getting inflation under control and the likely appropriateness of additional action at Federal Open Market Committee (FOMC) meeting May 3. Many referenced the uncertainty about the impact of March's banking stresses on the economy. Cleveland Fed president Loretta Mester summed it up well. She emphasized the importance of taming price pressures but also urged prudence in monetary policy action, noting that tighter credit works in the same direction as tighter policy.

While there is no shortage of data for Fed officials to pore over since the last FOMC meeting, this most-watched report likely will be the latest Personal Consumption Expenditures Index released Friday. This is the Fed's preferred measure of inflation, and its reading for March could indicate how long policymakers will hold the federal funds rate at its level following the meeting. We think that will be in a range of 5-5.25%, meaning a hike of 0.25%.

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