# Weekly Commentary

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## Tariffs obscure the Fed's economic outlook

In the summer of 2022, Federal Reserve Chair Jerome Powell told the press that the Fed was moving away from providing "forward guidance." At last week's Federal Open Market Committee (FOMC) meeting, he truly put that into action. It wasn't necessarily his fault, not with the tumult that President Trump's on-again/off-again tariffs have created. Powell said they have created too much noise for the Fed to get a clear read on the economy, using the word "uncertainty" no less than 16 times to describe the situation.

But still, investors look to the Fed to be a stabilizing force, even when fiscal policies are in flux. He perhaps should not have dismissed the soaring inflation expectations of the recent University of Michigan's consumer confidence survey as being an "outlier," even if it was likely due to anxiety about what a full-blown trade war might do to prices. On the other hand, he is right that the FOMC needs to consider hard data when trying to assess longer-term inflation trends.

The FOMC held the federal funds rate in its current target range of 4.25-4.50%. Powell noted the March Summary of Economic Projections indicated policymakers expect the same number of rate cuts—two 25 basis-point ones—in 2025 as they did in December's projections. He said that one reason for the pause is that the decline in their forecasts of GDP growth and the rise in inflation cancelled each other out. Again, it's understandable that imposition of tariffs is clouding the picture, but here's hoping Powell and company will be able to provide more guidance in the coming months.




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