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## **Powell's nod to a rate cut is not a guarantee**

Despite the Grand Tetons as a backdrop, the Federal Reserve's annual central bank symposium in Jackson Hole, Wyo., is rarely a dramatic affair. Last year was a relative exception, as Chair Jerome Powell's keynote address included the sentence, "The time has come for policy to adjust." The implication was that the Federal Open Market Committee (FOMC) would cut rates in September, which came to pass with a 50 basis-point pairing of the fed funds target range.

Opening this year's conference, Powell found himself in a similar situation, with inflation close to the Fed's 2% target and concern that restrictive rates could push the economy into a slowdown. But this time, he shifted back to equivocation. The thrust was that the labor market's recent softening might be the signal to lower interest rates. If it continues to weaken, it might "do so quickly in the form of sharply higher layoffs and rising unemployment," he said. The fed funds futures market, already forecasting a rate cut in the FOMC's meeting ending on Sept. 17, now sits at roughly 85% chance of one.

One caveat is that the Fed will get one more round of critical economic data before then, including new CPI and nonfarm payrolls report. If those surprise with strength, the cut might not materialize.

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