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The economic situation is defined by 'uncertainty'

The various dictionaries that announce their “word of the year,” always pick new or newly widespread terms. They should seriously consider altering that policy to allow for choosing “uncertainty” for 2026. It would have worked for 2025, too, but the Iran conflict has taken it to a new level.

For the US economy, the issue is how the fighting will impact the Federal Reserve’s delicate task of fulfilling its dual mandate: maintaining stable prices and maximum employment. To put a finer point on it, the Fed would like to see the Core Personal Consumption Expenditures (PCE) Index fall to 2% target and the unemployment rate sit around 4%. Economists will tell you that Core PCE does not include volatile statistics such as the price of oil and food, two categories likely most affected by the Iran war. But if crude stays about \$100 per barrel for a long time, its knock-on effects could impact the economy beyond gas stations and grocery stores.

It’s no wonder that Fed Chair Jerome Powell suggested the Federal Open Market Committee’s most recent Summary of Economic Projections might as well be ignored. Many Fed speakers mentioned the conflict’s potential to raise inflation in comments made last week.

Forget “para-social,” “rizz” and “AI slop” — “uncertainty” is the byword.

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