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Weekly Commentary

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Devil's in the details for FOMC minutes

"Participants acknowledged that inflation remained elevated."

Federal Reserve Chair Kevin Warsh has limited the amount of public communication since he took his post, so it is no surprise the minutes from the July Federal Open Market Committee (FOMC), released last week, would begin with such a concise statement. It fits the FOMC's statement's new terse boilerplate that "The Committee will deliver price stability."

But the point of minutes is to provide detail, and investors found plenty of indication for why there were three dissents to the FOMC vote for no rate change. (Beth Hammack, Neel Kashkari and Lorie Logan preferred a 25 basis-point hike). Different descriptions of opinions of "some," "several" and "many" participants, highlighted different reasons for worrying about rising prices: the renewal of the Iran conflict, the boom in data center construction, the impact of tariffs and the possibility that consumers' expectations of high inflation have become unanchored. The latter has always been a major concern for the Fed as it can mean the public has lost faith that monetary policy can solve the problem.

After the complexity of the minutes, Chair Warsh will certainly want to simplify the message when he speaks at the Fed's central bank symposium in Jackson Hole, Wyo., later this week.

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