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Fed minutes and Powell keynote in sync

Two Federal Reserve statements last week all but guarantee a rate cut in September. First came the release of the notes of Federal Open Market Committee (FOMC) meeting in July. “The vast majority” said, “if the data continued to come in about as expected, it would likely be appropriate to ease policy at the next meeting.”

The next took place at the Fed’s annual monetary-policy symposium in Jackson Hole, Wyo. In his keynote address on Friday, Chair Jerome Powell affirmed the dovish stance. He said the time has arrived for policy to pivot. “The upside risks to inflation have diminished, and the downside risks to employment have increased. With the appropriate dialing back of policy restraint, there is good reason to think that the economy will get back to 2% inflation while maintaining a strong labor market.”

Powell emphasized the latter in a colorful way: “We do not seek or welcome further cooling in labor market conditions.”

We expect the Fed to issue a quarter-percentage-point cut in its FOMC statement posted on September 18. But there’s nearly a month’s worth of data between now and then—numbers that could sway the Fed to skip a cut or push it to a half point. The biggest point comes with the release July Personal Consumption Expenditures Index this Friday.

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