Weekly Commentary

AUGUST 28, 2023

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The hills are alive with the sound of bankers

As work retreats go, the Federal Reserve's annual central-bank symposium is hard to top. Hosted by the Kansas Fed, it takes place not in Kansas City, but swanky Jackson Hole, Wyo., at the foothills of the Grand Tetons. In this magnificent setting, policymakers from around the world discuss all manner of issues related to the global and country-specific economic issues.

Intriguingly, Fed Chair Jerome Powell's keynote address on the symposium's theme, "Structural Shifts in the Global Economy," took time to say that the Fed will not shift its target inflation rate upward from its long-held 2% goal. For years, many economists have questioned why 2% was chosen in the first place. Recently a debate about raising it has arisen. The case is that new developments in economics, productivity and demographics have changed the nature of how inflation operates. Some cite this as a reason for raising the target, while others claim it calls for lowering it. Powell dismissed both camps, doubling down on 2%. In the process he reminded the markets that the Fed remains OK with weakening the economy in order to hit that target. "Getting inflation sustainably back down to 2% is expected to require a period of below-trend economic growth as well as some softening in labor market conditions," he said.

These words mean additional rate hikes are on the table, with at least one more quarter-point variety potentially arriving in September or, more likely, in November. To play off the title of his speech further:
the Fed likes paths, not shifts. Officials would rather pull inflation down by a series of hikes and pauses than cut rates only to have to raise them again if inflation does an about-face.

Seems not much will have changed in playmakers opinions as they head back to their offices.