FLORIDA PRIME

Weekly Commentary

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Fed's November meeting looms large

The updated Summary of Economic Projections from the Federal Open Market Committee meeting last week again increased the forecasted fed funds rate. Officials raised the median "dot" in the dot plot by 50 basis points to 5.1% and 3.9% in 2024 and 2025, respectively. That is not surprising given policymakers' laser focus on subduing inflation. But the potential for the economy to handle the aggressive hikes of the last-year-and-a-half led them to forgo a hike.

Federal Reserve policy moves can rarely be described as exciting—maybe the surprise cuts during the onset of the pandemic qualify—but the end of the tightening campaign is shaping up to be dramatic. In the near term, headline issues such as the growing likelihood of a government shutdown, the United Auto Workers strike and rising energy costs cloud the trajectory inflation is taking. On the long term, the innate lagging impact of rate hikes is a wild card.

Chair Jerome Powell still holds out hope for a victory over inflation without tanking the economy: "I've always thought that the soft landing was a plausible outcome," he said in his post-meeting press conference. This makes the FOMC meeting in November a live—and probably lively—one. The markets expect the pause to continue;
the SEP indicated another hike is likely before year-end. Things are about to become interesting, at least.

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