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Weekly Commentary

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Fed goes from tepid to boiling

The Federal Open Market Committee (FOMC) meeting last week could have been hot but ended up tepid. Federal Reserve voters held the fed funds target range at 3.50-3.75% and barely changed the accompanying statement. That document suggested officials are slightly more sanguine about the direction of the economy. Gross domestic product and employment seem on better footing than they did in December; inflation remains high but not alarmingly so.

After brushing off questions on non-policy items, including his own future on the Board of Governors when his term as leader ends in May, Chair Jerome Powell offered little insight beyond the statement. Perhaps the salient point was his answer to a question about the inflationary impact of tariffs. He didn't use the word "transitory," but said he expects that factor to fade away soon without leaving any permanent scars on the economy. Without a new Summary of Economic Projections, and with Chair Powell's reticence to look too far ahead, we think the FOMC is unlikely to alter rates at its next meeting in March.

On Friday, however, the relative stillness went on a boil, relative to the FOMC meeting. President Trump's announced his nomination of Kevin Warsh to be the next Fed Chair. The markets, and we, will be digesting this development as it unfolds.

Views are as of the date above and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.

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