

## Our Opinion

A pause is now on the table, along with the possibility of a rate hike. Which it'll be, will likely only be determined after the release of June 13 CPI report.

The Fed is looking for signs of lessening demand – cooling job growth, a decrease in inflation (core CPI).

	Feb	Mar	Apr
<b>Core CPI</b>	5.5%	5.6%	5.5%
<b>Unemployment Rate</b>	3.6%	3.5%	3.4%
<b>Job Growth</b>	248,000	165,000	253,000

Prior to yesterday (5/31/23), Austan Goolsbee and Mary Daly had alluded to a pause, but only Susan M. Collins actually spoke the word “pause” (on May 25<sup>th</sup>).

Yesterday however, two voting members of the FOMC talked about pausing or skipping a rate hike in June.

- **Philip Jefferson:** “A decision to hold our policy rate constant at a coming meeting should not be interpreted to mean that we have reached the peak rate for this cycle.”
- **Patrick Harker:** “I am in a camp increasingly coming into this meeting of thinking that we really should skip, not pause.”

Significantly, prior to being nominated as vice chair, Jefferson spoke publicly only six times in 11-months and never specifically mentioned the direction of monetary policy. Yesterday however, as he read his speech, the option to pause on June 14<sup>th</sup> became emphatic, which can only be construed as a coordinated message from the Fed Board.

The end point for Fed Funds was always going to be contentious. Fed Officials now have two days and a jobs report to clarify their views. As it stands, three voters appear to be supporting a pause (Jefferson, Goolsbee, Harker), while two seem to support a rate hike (Waller, Kashkari). All the others (Powell, Barr, Cook, Bowman, Logan) haven't yet presented their position.

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