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United States: What to expect from this week's FOMC meeting?

This week's FOMC meeting followed by the statement and press conference on 1 May 2024 are eagerly awaited considering the change in tone from the Fed in recent weeks, which has signaled that rate cuts will come later than expected.

Some thoughts and comments:

1. If you make 2 U-turns you come back at your initial position: first there was the pivot that the terminal rate had been reached and that confidence was growing about disinflation that would allow a rate cut in late spring. Then, there was another pivot, considering that disinflation has stalled. Basically we're back in a 'high rates for longer environment'.
2. In the press conference we can expect strong insistence on the data dependency of decisions
3. The validity of this approach has been vindicated by recent inflation data. This is not an environment for pre-committing and giving clear guidance about when rate moves will be made and how fast.
4. We should expect that Chairman Powell will say he is confident that inflation will decline (if not, he would trigger a bond market sell-off) but that it will probably take more time.
5. If questioned, he will say that it's unlikely that rates would have to be raised as a next move. If inflation turns out to be sticky for longer, keeping current rates should be sufficient.
6. THE question to be asked: does high for longer (because there is no landing at this stage) imply that the risk of a subsequent hard landing will increase?
7. The most interesting news about this meeting will only come on 22 May, with the publication of the minutes. Rarely will they have been so eagerly awaited, the key question being to what extent many or most members of the FOMC would have shifted to the 'hold rather than cut camp' and whether the possibility of a hike this year has been discussed.

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