



Did You Mean What You Said, Did You Say What  
You Meant? I Believe You Were Disingenuous 100%  
(6/15/23)

Chairman Powell gave his semiannual statement on inflation and the state of the economy. He then proceeded to make his case before the House and the Senate. His comments were that core inflation was still too high and that it will take some time before we reach his target level of 2%. He said that rates would probably have to go up at least two more times and stay there indefinitely. He also said there was no chance that rates would be cut this year and strongly hinted that they wouldn't be cut next year as well.

Yet he presented us with a pause for June. He said that timing was less important than the final rate. But if core inflation was still out of control and at least two more increases were likely, did a pause and his explanation make sense?

I suggest no. It wasn't the pause that refreshes or catches one's breath. It was because there was no agreement among the voters on the Federal Reserve as to what to do. Some wanted a pause, others an increase. I referred to the pause as an "aggressive pause."

He had to bring everyone together. How to do that? He threw a bone to those wanting a pause and he threw a bone to those who wanted an increase by aggressively suggesting the need for two further hikes. He wanted and needed to hold the group together.

**P.S. I wrote this 3 weeks ago. I'm puzzled that the market was surprised by the split of the 11 voting Fed members. Powell put on his diplomatic hat and held the group together. He will have a harder time next time.**