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# Instant Thoughts

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## On Hold for Longer

- The Fed is buying into the productivity boom narrative. And The post-meeting statement covered the Iranian war in only one sentence.
- It appears that the Fed is adopting a similar approach to 2022, when it believed inflation would be “transitory”.
- They talk about hikes so they don’t have to hike. The median voter has retained the 2026 rate cut they had from the December update.
- Powell unexpectedly announced to remain on the Board until the DoJ investigation is “well and truly over.” That essentially put a nail in the coffin of the Warsh-easing narrative.

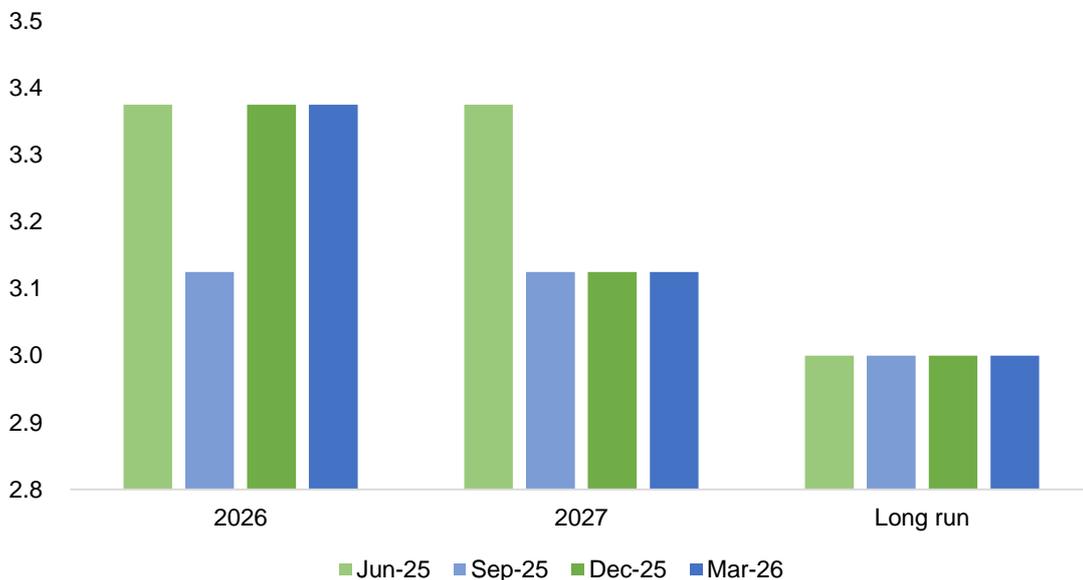
Hope, a confident expectation of a better future, requires us to actively choose to practice patience in the present. And Powell radiated his optimism by arguing that rate normalization this year is still necessary.

Everyone else believed in flat rates after the Fed left the rate unchanged and revised the forecasts of core PCE up from 2.5% to 2.7% this morning. But somehow you still know the conversation they had was not that hawkish.

The Fed is buying into the productivity boom narrative, as evidenced by the upward revision of its long-run GDP projection to 2% from 1.8%. The post-meeting statement covered the Iranian war in one sentence that “the implications of developments in the Middle East for the U.S. economy are uncertain.”

Basically, they talk about hikes so they don't have to hike. There's little space for hawks to poke their heads up. The median voter has retained the 2026 rate cut they had from the December update. It appears that the Fed is making a similar mistake to 2022, when it believed inflation would be "transitory". The thing is, this isn't 2022. In early 2022, the U.S. economy was running pretty hot. Now, the job market is in a far weaker position and private credit is showing signs of strain.

### Exhibit 1: Median Rate Forecast



Source: Federal Reserve, Shanghai Commercial Bank

Powell unexpectedly announced to remain on the Board until the DoJ investigation is "well and truly over." That essentially put a nail in the coffin of the Warsh-easing narrative. We begin to see how the Fed chair might instill a certain worldliness in everyone. That matters for trader. The dollar bull can't afford to buy rhetoric. They need insurance and now they get one.

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