

Instant Thoughts

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The Swan Song

- **The plumbing has calmed enough for the Fed leadership to step back from altering its forward guidance, even though it won't cost much to change.**
- **Powell announced to stay on the Board as a "low-profile" governor until the investigation from the Fed Inspector General is truly over. He could stay on for a significant portion of his term which expires in January 2028.**
- **The growing chorus for change, coupled with Warsh's lack of standing, could result in a more neutral forward guidance in the June statement.**

Everyone loves a priggish speech about how we should deal with the energy crisis. For the Fed, it only reveals deeper division in terms of what should be in the package.

The on-hold decision passed 8-4, the most dissents since 1992. Three regional bank hawks (Hammack, Kashkari and Logan) dissented from the inclusion of easing bias in the post-meeting statement. Forward guidance often carries more weight in signaling the Fed's preference. Currently, the plumbing has calmed enough for the Fed leadership to step back from altering its forward guidance, even though it won't cost much to change.

Today also brings Powell's swan song as the Fed Chair. He announced to stay on the Board as a "low-profile" governor until the investigation from the Fed Inspector General is truly over. He could stay on for a significant portion of his term, which expires in January 2028.

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It's always hard to replace a respected Chair. Warsh has shoes in giant size to fill. On the one hand, the central cohort, led by John Williams and Jefferson, is not ready to institutionalize a dovish tilt. The growing chorus for change, coupled with Warsh's lack of standing, could result in a more neutral forward guidance in the June statement.

Warsh just can't hold the line in a way that Powell did. The traditional unity around chairmanship would be questioned. What to believe? Data speaks louder than words.

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