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The Federal Reserve Chair, Jay Powell, Is Not One to Go Wobbly

When an official or well-known person makes a well-publicized comment, they are frequently reminded of it.

Many years ago, in 1990 in the lead up to the first Gulf War, British Prime Minister Margaret Thatcher was reported to have said to President George G.W. Bush, “Look George, this is no time to go wobbly”.¹

We may have several better reasons to trust the financial decisions of Fed Chair Powell above those of some of our other officials:

He wasn’t elected and probably doesn’t owe favors to those who appointed him.

He can’t be fired, except for high crimes and misdemeanors.

He isn’t running for office.

Chair Powell seems to be following the ‘playbook’ of former Fed Chair Paul Volcker who has been credited with defeating a far worse inflationary condition in the early 1980’s, and so-far the repetition of his policies seem to be working.

Chair Powell is, however, occasionally reminded of his earlier statements, that proved incorrect when he thought that the effects of inflation would be temporary and ‘transitory’.

The latest US Non-Farm Payroll statistics that were reported 11/03/2023 show that fewer new jobs were created in October than in previous months, and that there was an increase in the unemployment rate to 3.9%.

These numbers may be somewhat complicated by the various strikes that were occurring last month, but still may show an economy that could be slowing, and a population that is not acting as if it expects a recession.

At the post FOMC meeting press conference on November 1st, Chair Powell reaffirmed his commitment to a 2% target for inflation as well as his willingness to continue to raise rates in the future in its pursuit.

He also said that interest rate cuts had not even been discussed. 2

Despite this, some market commentators are suggesting one or even two Fed rate cuts by the end of next year.

An October 17th, 2023 article in Forbes said ‘the Fed Funds rate is expected to decline by the end of 2024..... Markets broadly anticipate a 1% decline in the Fed funds rate to between 4% and 5 % by the end of 2024...with cuts most likely starting in June or later.’ 3

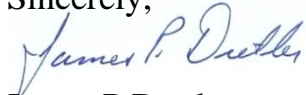
Even the grammar suggesting that ‘cuts’ will be ‘starting’ are misplaced assumptions in my opinion. There are unlikely to be several, nor are they going to start soon. I think that we should continue to accept the statements of Chair Powell and the FOMC as published and realize that ‘high for longer’ is the most likely path of interest rates.

I think that although we haven’t heard the word ‘transitory’ lately, Mr. Powell has not forgotten that misstep. In my opinion he will not lower the fed funds rate until he is certain that no more raises will be forthcoming.

We should borrow and invest accordingly.

Please call to discuss which might be suitable for your individual financial goals

Sincerely,



James P Dretler

Senior Portfolio Management Director

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1. PBS, <https://www.pbs.org/wgbh/pages/oral/thatcher>

2. Transcript of Chair Powell’s Press Conference November 1... Board of Governors of the Federal Reserve System (gov.), <https://www.federalreserve.gov/files/FOMC>

3. Simon Moore, ‘Markets See Measured Fed Rate Cuts In 2024, Oct. 17, 2023, 3:13 am EDT forbes.com/sites/simonmoore/2023/10/17/markets-see-measured-fed-rate-cuts-in-2024/?sh=1b1ddf02174

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