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All Ears on Jackson Hole

Early news from the annual two-day central bankers symposium in Jackson Hole, Wyoming suggested that Fed officials may not be quite as anxious to cut rates as the market is indicating. Kansas City Fed President Esther George, in a taped message, said she was not ready to provide additional accommodation without seeing a weakening outlook, while Philadelphia Fed President Patrick Harker said he believes the Fed should be "on hold" to see how things play out. On Tuesday, Boston Fed President Eric Rosengren, in a Bloomberg television interview, said he wasn't convinced that slowing trade and global growth would have a significant impact on the U.S. economy and would like to see more evidence of a slowdown before supporting additional easing. Both George and Rosengren voted "no" on the July rate cut, while Harker is a non-voting member this year.

Today's comments by Fed members were instrumental in nudging yields marginally higher and capping a broad-market equity rally.

Tomorrow is expected to be an important day for the markets as Chairman Jay Powell is scheduled to speak at 10:00 a.m. Eastern time. His post-FOMC meeting press conference, just three weeks ago, had indicated committee members believed the quarter point rate cut was simply a mid-cycle adjustment. This revelation sent short bond yields higher later that afternoon, but also disappointed President Trump who responded the next day with the announcement of tariffs on additional Chinese goods. The sudden and unexpected trade escalation sent yields tumbling across the curve.

The President has ramped-up criticism of Jay Powell and Fed policy in recent days, and has repeated his demand/opinion that the Fed slash the overnight target by a full percentage point. Trump pointed to Germany's negative yields as a supporting reason for the Fed to be more aggressive in its monetary policy.

As global growth slows and trade policy festers, economic forecasts and rate outlooks seem to be taking a turn. Bloomberg Economics is now calling for quarter point cuts in September, October, and December, bringing the overnight target down to a range of 1.25% to 1.50% by the end of the year. Of course, Bloomberg doesn't get to vote, which is why investors are so interested in what's being said in Wyoming.

The minutes from the July 31st FOMC meeting, released yesterday, revealed little that investors didn't already know. The quarter point cut was to insure against further slowing of business investment resulting from trade uncertainty, and to mitigate other downside risks as well as to reset inflation toward the Fed's 2.0% target.

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Market Indications as of 2:35 P.M. Central Time

DOW	Up 70 to 26,273 (HIGH: 27,359)
NASDAQ	Down 16 to 8,004 (HIGH 8,330)
S&P 500	Down 1 to 2,925 (HIGH 3,026)
1-Yr T-bill	current yield 1.79%; opening yield 1.78%
2-Yr T-note	current yield 1.61%; opening yield 1.58%
5-Yr T-note	current yield 1.50%; opening yield 1.48%
10-Yr T-note	current yield 1.61%; opening yield 1.59%
30-Yr T-bond	current yield 2.11%; opening yield 2.07%

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