

## Fed Pauses, Powell Sidesteps Political Questions

As expected, Fed officials voted unanimously to hold the overnight rate target steady after easing at each of the previous three FOMC meetings. The Official Statement released at the conclusion of the meeting showed little change from December, but the few edits made were considered significant. In particular, Fed officials removed mention of inflation having “made progress toward the committee’s 2% objective,” and recharacterized the labor market as “solid.”

With employment no longer weakening and the inflation downtrend stalled, the Fed feels no urgency to cut rates. Investors already knew this, but seeing the actual words from the Fed prompted a moderate selloff in bonds.

At the post-meeting press conference, Chairman Powell began his prepared remarks by characterizing the overall economy as “strong,” and saying the committee was in “no hurry” to adjust monetary policy, adding that there is *no preset policy course*. In the Q&A, the elephant in the room was quickly addressed as a reporter asked Powell’s reaction to the President’s demand that interest rates be immediately lowered. Powell responded with “*no comment*,” saying he’d had no conversation with Trump. On a broad question about the implications of the administration’s economic plans, Powell replied that “the range of possibilities is very wide,” implying a wait-and-see approach.

When asked about the removal of the section of the Official Statement on progress toward 2%, Powell said it wasn’t intended to convey a message, just an attempt to shorten the statement. Regarding the effect tariffs, immigration and taxes will have on rate policy, Powell simply said it’s still *too early to assess*. He dodged several other tariff-related questions insisting it isn’t the Fed’s job to comment.

Powell was upbeat on economic growth and the future inflation path, pointing out that shelter costs are coming down steadily, and that current policy is appropriate.

Fed officials, like market participants, are waiting to see how the new administration’s plans are implemented. But as Powell has consistently said, it’s *too early to know*. The committee will likely be on hold beyond the March meeting.

President Trump is expected to loudly (and repeatedly) push for lower interest rates, despite persistent economic strength and lingering price pressures. The question is whether Powell and the Fed will have the courage to remain independent as the pressure builds.

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## Market Indications as of 2:47 P.M. Central Time

DOW	Down -110 to 44,740 (HIGH: 45,014)
NASDAQ	Down -116 to 19,618 (HIGH: 20,174)
S&P 500	Down -14 to 6,054 (HIGH: 6,119)
1-Yr T-bill	current yield 4.16%; opening yield 4.11%
2-Yr T-note	current yield 4.23%; opening yield 4.19%
3-Yr T-note	current yield 4.27%; opening yield 4.24%
5-Yr T-note	current yield 4.35%; opening yield 4.33%
10-Yr T-note	current yield 4.55%; opening yield 4.53%
30-Yr T-bond	current yield 4.79%; opening yield 4.77%

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