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Weekly Commentary

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Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

It's often how you say it

If there are dissenters to a statement of a Federal Open Market Committee (FOMC) meeting, there is usually quiet grumbling by other members.

That was the case at the September Federal Reserve policy meeting. It was the first FOMC get-together since Chair Jerome Powell unveiled the central bank's new framework for monetary policy in August. It was notable that the Fed incorporated its shift in average inflation targeting so quickly. We expected policymakers to keep it to themselves until Congress showed signs of stepping up with fiscal support. Perhaps they looked into their crystal ball and saw that a new stimulus package was unlikely and figured it was best to lay out the plan formally. But the minutes show that there was consternation about this decision.

While the statement reveal dissenters—Robert Kaplan and Neel Kashkari this time—it doesn't have to reveal their reasons. Conversely, the minutes don't name names, but do give their rationale, albeit in vague Fed speak. It said "several" members voiced concern about concretizing the new framework into such strong forward guidance, preferring instead to communicate in its typical understated way. Why? Because, with interest rates already very depressed, they simply didn't see a need for it. Their sentiment can be boiled down to a worry that strong language could limit the Fed's flexibility in policymaking down the road. It will be important to watch this closely to see if these concerns gain footing.