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Federal Reserve Watchers Wondering If It Will Finally Slow Rate Hikes Even if they do, don't expect happy days as rates suddenly fall.

By Erik Sherman

The Federal Reserve is like a rare bird in the wild with armies of aviary watchers staking out a spot and wondering where it will move next. The next big siting is expected to be this Wednesday when Chair Jerome Powell addresses the Brookings Institution.

"The Federal Reserve is raising interest rates as it strives to deliver on its dual mandate of price stability and maximum sustainable employment," Brookings writes. "So far, the U.S. labor market has been impressively resilient; unemployment is at 3.7%, the lowest it has been in decades. But in several ways the impact of the pandemic on the labor market persists. Labor force participation is not yet fully back to pre-pandemic levels. While some employers are laying off workers, many others say they are finding it hard to hire. And work-from-home appears to be here to stay for many workers."

Powell will speak at 1:30 pm about "the outlook for the economy and the changing labor market." But all eyes will be attentive to binoculars, attentive for any hint on how that outlook might translate into possible changes in the Fed's direction or schedule for rate changes.

The heavy uncertainty did start with the misapprehension of markets, as people were sure that when the Fed said it would keep raising interest rates to kill off inflation, they didn't mean it. But they did.

However, lately it's been members of the Fed going off and spinning everyone around as those in the upper echelons battle to shift public perception and get their vision for the near future adopted. St. Louis Federal Reserve Bank president Jim Bullard gave a recent presentation in which he said the Fed's benchmark rate would likely need to grow by another 100 to 300 basis points. Kansas City Federal Reserve Bank president Esther George said that getting inflation under control might not be possible without a real recession. Fed governor Christopher Waller noted that even slowing down would still leave room for "several 50-basis-point increases, a pretty aggressive path for policy."

Federal Reserve Bank of Boston President Susan Collins had been recently quoted as being more "optimistic that there is a pathway that would not require a significant slowdown." As recently as mid-October Fed Vice Chair Lael Brainard said that the run of 75-basis point rate increases to an end "soon," as the Financial Times reported. But that isn't the same as ending increases, let alone reversing them, and she added that a slower pace of increase isn't backing off.

Powell will be getting his shots in two days before the official blackout the Fed undertakes its blackout before the mid-December meeting of its Federal Open Market Committee. Maybe he's

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set the stage for a slower pace of rate increases as some expect. Or it could be that again markets are misreading what the Fed might do. Even if as some predict he puts his weight behind a lower level of rate increases, like 50 basis points instead of the 75 the Fed has repeatedly instituted, it's still going to be a long time before financing rates drop to what the CRE industry has become accustomed to.