

FED HOLDS STEADY, MOU FOR WAR END



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Kevin Warsh, the new Fed chair, led his first Federal Open Markets Committee (FOMC) meeting on Wednesday and as expected the committee held rates steady.

In his first press conference, Chair Warsh made two interesting points: (1) He joined the unanimous decision to keep rates steady; (2) He didn't participate in the traditional dot plot on future interest rates.

The chair emphasized that the rate decision was unanimous and that looking forward, the committee was divided between those who saw steady interest rate policy and those who saw an increase.

He also announced the creation of several task forces to review long-standing traditions. One of the task forces is on communications and the chair said that one of his mentors, George Shultz, said that press conferences were good, but only when you have something to announce, giving a hint that he may not stick with the policy of a chair presser after each FOMC meeting.

Chair Warsh confirmed that he has continued the policy of regular meetings with the Treasury Secretary. The new chair emphasized the Fed's role in achieving price stability and made the point that inflation has been over the 2% target for five years, and that the 2% level was his goal.

U.S.- Iran MoU

Iran and the U.S. signed the Memorandum of Understanding (MoU) to stop the war. They indicate that fighting will stop, the Strait of Hormuz will open, the blockades will end, and the U.S. will start returning seized Iranian assets.

The Iranian nuclear program is on hold, and what to do with the Iranian enriched uranium will be a central topic of the next phase in talks which could go on for 60 days, but Trump said that the 60 days was not a “hard deadline.”

Republicans are anxious to see a return of pre-war price stability, as the midterm elections approach with control of the House and Senate on the ballot. However, there is division among Republicans as to the agreement the president made with the Iranians, and whether the administration gave too much to stop the war.

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