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FED IN SPOTLIGHT

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The Federal Reserve was in the spotlight this week when the Supreme Court, as many expected, ruled that the president doesn’t have the right to short circuit due process and fire a Federal Reserve Board member. The case involved Trump’s efforts to fire Governor Lisa Cook. The ruling will allow Governor Cook to remain on the board and denies the president the opportunity to fill a vacancy who might be more friendly to his desire to cut rates and support his new chair.

This week also saw the new chair make his first speech. In the speech, he recommitted the board to the goal of 2% inflation and stated that achieving the goal remained the focus of the board. He also emphasized that he would push the task forces he created to develop new tools for the board. It appears that communications and data sources are central to his thinking. The communications by the board is likely to have less forward guidance. The board announced that former Bank of England Governor Mervyn King will co-chair the communications task force Warsh created at last month’s FOMC meeting.

The Congress remains out of session with a planned return date of July 11. Having Congress out of town usually slows the flow of news from Washington, as members of the House and Senate are not as close to waiting microphones.

When Congress does return, passing the Fiscal Year 2027 federal budget will be a high priority as a government shutdown a month before the mid-term elections could be an additional blow to the effort of Republicans to maintain their House and Senate majorities.

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