Weekly Commentary

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A different type of Fed issue

If asked, "What US elected official has recently impacted the Federal Reserve?" most people would say President Trump. After all, he has been vigorously attacking it since he took office in January. His latest bone of contention is that the Fed's tight monetary policy is at odds with the easing path of the major global central banks, putting the US at a disadvantage. But the answer is actually former President Biden—though the hampering is benign and unintentional.

In 2021, Biden created the holiday of Juneteenth to commemorate the end of slavery in the US. One side effect is that the June 19 holiday will often take place in the week that the Federal Open Market Committee (FOMC) holds one of its meetings. That is significant in that the US financial markets close on federal holidays.

This week, Fed officials will gather June 17 and release their policy decision the next day, and the markets will have little time to digest the news. Not only are they closed Thursday, but also the FOMC does not release the policy statement until 2 pm. and Chair Jerome Powell's ensuing press conference usually does not wrap up until 3:30 pm.

It won't be particularly impactful this time around, as the Fed is extremely unlikely to lower rates from the 4.25-4.5% target range. But it is one of only four meetings a year that update the FOMC Summary of Economic Projections. We expect that document will show that policymakers expect to lower rates twice this year, starting in Sept. But other forecasts, such as of inflation and employment, will put that potential in context, which will be helpful to investors. We will just have to process it quickly.