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Weekly Commentary

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Different building, same words

As far as the Federal Reserve is concerned, last week seemed a continuation of Chair Jerome Powell's press conference from the June 14 FOMC meeting. From that podium, he struck a more hawkish tone, putting the markets on notice that the decision to skip a hike does not mean the Fed's work is done. Not certainly considering inflation remains stubbornly high and the labor market stubbornly strong. He intimated that another 25 basis-point hike could come by calling the July meeting "live."

From a table facing federal lawmakers at his biannual testimony to Congress, Powell went further, saying the Fed would likely raise rates again. He qualified this by saying any additional tightening would likely advance at a "moderate pace." But with the June Summary of Economic Projections showing that 12 of 18 FOMC voters anticipate two more hikes this year, there is little question it will happen. The Fed is willing to hit the brakes harder on the economy until whatever flavor of slowdown happens, from recession to soft landing.

This stance is good news for liquidity investors as yields should rise with any hikes and stay high if the Fed actually pauses. Past performance is, of course, not a guarantee of future results, but cash looks to be king for a while longer.

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