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Briefing

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U.S. ECONOMIC AND EVENT OUTLOOK – WEDNESDAY

Wed		
5/22	01:00 AM	**Bullard Speech (Outlook Speech, Hong Kong)**
	10:00 AM	**Williams Appearance**
	10:10 AM	**Bostic Speech**
	2:00 PM	**FOMC Minutes**

Global Markets

- We get two more Fed speakers this morning (Williams, Bostic) after Bullard's speech in Hong Kong overnight, plus the FOMC Minutes. Even Bullard, who believes the December rate cut took the federal funds rate a bit further into "restrictive" territory, thinks it's premature to talk about rate cuts at the moment, but did give a nod to such a move as signaling the Fed is serious about meeting its inflation target.
- Bullard also thinks China-U.S. tariffs might have to stay in place for six months before weighing on Fed policy—not the market's conclusion. More color on rate-cut-or-not may come in the Minutes today (preview below), but remember the balance of risks was evolving favorably in late April when the Fed met. As a result, it's more likely the Minutes sound a bit more hawkish than current Fed views.
- U.S. equity futures are little-changed this morning, the 10yr yield is steady at 2.43%, the dollar is little-changed, and crude oil (WTI) is little-changed at $62.65.
- European equities are mixed to higher, while Chinese shares fell as the U.S. is reportedly ready to add five Chinese security/surveillance firms to a U.S. blacklist.

FOMC Minutes Due

The Minutes are unlikely to be actionable given the flare-up of trade risks, which at the time of the May meeting had been evolving favorably, warranting an upbeat nod from the Fed's Powell at the concurrent press conference.

Monday, Fed Chair Powell noted that the outcome of trade talks are unknown, and that it would be "premature" to judge (or act?). The central bank took a similar tack with tax cuts, adjusting forecasts and acting only after legislation was passed and the early economic impacts became clearer.

Early June brings a Fed conference on monetary policy strategy, tools, and communications. Attendees will discuss the pros and cons of possible changes to each dimension, very likely including:

- a higher inflation target,
- price-level or nominal GDP targeting,
- direct yield curve targeting in a crisis,
- a better sense of future QE/forward guidance tools,
- switching to an inflation range, not a point 2% target,

In a Q&A Monday, Powell gave a nod to potentially switching to a range for the Fed's inflation target, a popular alternative to a 2% point target. That would allow in our view a bit more flexibility, and could diminish the current expectation that the Fed tends to treat 2% as a ceiling in practice, even as it stresses a "symmetric" target.

Yield curve targeting is also increasingly popular, already part of the Bank of Japan's strategy.

It's unlikely much or any of these issues makes it into the Minutes today, but should be kept in mind as central banks around the globe ponder the need to respond to global growth deceleration and risks.