

Beige Book: No Hint of Trouble

Summary text of the new FOMC Beige Book (covering early April to late May) is virtually unchanged in tone from that in the previous report (mid-February through late March), though with growth now characterized as being at a "moderate" pace, as opposed to the earlier "modest-to-moderate" description.

In particular, there is no mention of new developments hinting at any slowing in growth--with no suggestion of the sharp reduction in payroll employment increases over the period, or of the big flattening in Chicago-area manufacturing activity signaled by the local purchasing managers report.

It is an open issue whether this report will sooth dovish worries at the Fed, or worsen them a bit by suggesting that anecdotal evidence is missing important developments.

In any case, the effect will be to increase FOMC attention on very fresh data, and on information from the most recent contacts with regional contacts. Next week brings a number of national-economy data reports that, because of the uncertainty created by the employment numbers, and because of the fog of war created by the Eurozone crisis, will have more-than-normal weight in the policy discussion.