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On FedSpeak

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The Fed got its engraved invitation to ease, and the RSVPs are coming in "yes."

As we have since March (see ["On the March FOMC"](#) March 13, 2012), we continue to strongly expect some form of new easing at the June 20 FOMC meeting. If for a while it seemed the Fed needed an engraved invitation (see ["Is Gold Changing Its Mind?"](#) May 18, 2012), it got one for sure with last week's [jobs report](#) (see ["On the May Jobs Report"](#) June 1, 2012). We've seen three RSVP's in the last 24 hours:

- [A Wall Street Journal story](#) yesterday by Jon Hilsenrath, the reporter widely believed to be the Fed's favored venue for floating policy trial balloons, proclaimed "a shift at the Federal Reserve, putting back on the table the possibility of action to spur the recovery."
- [A speech last night by Janet Yellen](#) couldn't make it any plainer. After a reciting a grim list of everything that's wrong with the global economy, she said, "I am convinced that scope remains for the FOMC to provide further policy accommodation either through its forward guidance or through additional balance-sheet actions." We believe Yellen is now the most powerful voice on the FOMC.
- [In testimony this morning](#) Ben Bernanke was more circumspect -- which seems to have disappointed markets, at least as of this writing. But this testimony was not really on the subject of monetary policy anyway. Nevertheless, in it he declared the labor market to be a dead duck, saying "the deceleration in employment in recent months may indicate that...more-rapid gains in economic activity will be required to achieve significant further improvement in labor market conditions." This has to be seen as dovish, standing in sharp contrast to [remarks in testimony in February](#), -- widely regarded as hawkish -- that "the decline in the unemployment rate over the past year has been somewhat more rapid than might have been expected" (see ["When Bernanke Talks, People Sell"](#) March 1, 2012).

Update to strategic view

US FED: We continue to expect some form of easing at the June FOMC meeting, driven by deteriorating US and global economic conditions, and confirmed by the last 24 hours of communications from the Fed.

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Bottom line

We continue to expect some form of easing at the June FOMC meeting, driven by deteriorating US and global economic conditions, and confirmed by the last 24 hours of communications from the Fed. ▶