

MARKETS AND ECONOMY

No rate-hiking map from the Federal Reserve

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My family and I spent the long weekend in the woods, grabbing the last of the calm before school starts and the end-of-year rush begins. The plan was fresh air, fewer screens, some reading, and a couple of hikes. Then the weather turned for the first time all summer, and we didn't get to hike.

[Federal Reserve](#) (Fed) Chair Kevin Warsh opened the Jackson Hole Economic Symposium on Friday with a speech about hikes too. (The same kind we missed.) He used the word three times, all of them about walking. The rest of the speech was on the hawkish side, and it tempered, but didn't change, my view that the Fed stays on hold for the rest of the year. I don't think we got much of a hiking map last week from him.

Fed: price focus, no forward guidance

Warsh recommitted the Fed to its 2% inflation target and pointed out that it has now missed that target for 65 months. He said he was "hard pressed to describe broad financial conditions as

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It's worth stepping back from Friday and looking at 2020. Markets have absorbed a lot of disruption and held up better than many people expected. There have been points where panicking might have felt like a sensible thing to do, and more than once I have contemplated moving to a cabin and living off-grid. I'm confident that the remainder of the year will bring new disruptions, but one disruption I'm less concerned about is higher yields. Because the private sector has less leverage than in prior cycles,^[4] it has shown itself to be far less sensitive to [rates](#), in my opinion.

A global economy and [stock markets](#) that appear to have taken what 2020 has thrown at them can likely live with the US 10-year bond at 5%, in my view. I'm confident too that markets can find their way with less Fed guidance. Perhaps what we might worry about is sharply falling rates, because that may likely mean a real growth scare. My reading of current data says that remains a low probability.

So, for now, I'm in a cabin in the woods with rain on the roof and no map, and I'm not worried about finding one. I feel good about the rest of the year. I hope you do too.

What to watch this week

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Sep. 3	UK	Services and composite PMIs (Aug.) Bank of England Monetary Policy Report hearings	Highlights private-sector momentum and policymakers' assessment of inflation and growth
Aug. 31	Europe	German Consumer Price Index (CPI) (Aug.)	Offers an early indication of regional inflation pressure
Sep. 1	Eurozone	CPI (Aug.) Unemployment rate (July) Manufacturing PMI (Aug.)	Key evidence on inflation, labor conditions, and factory activity



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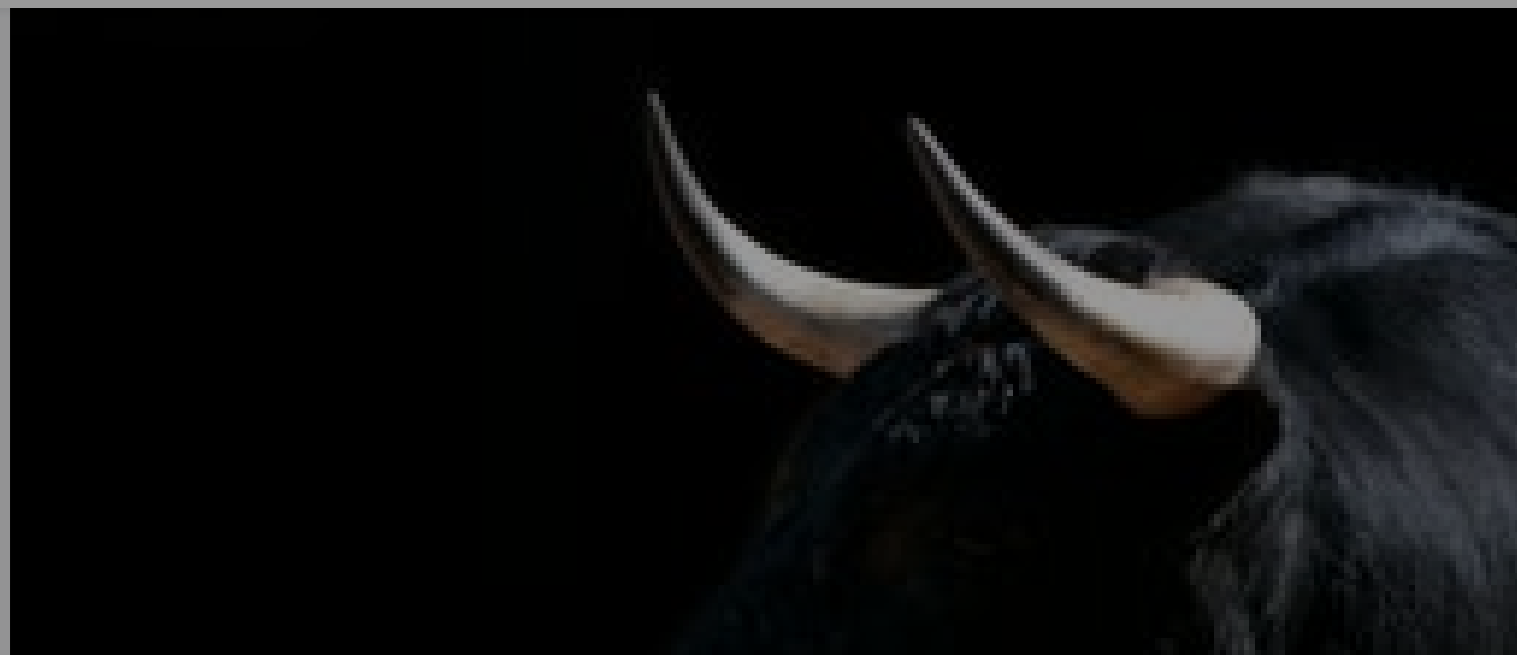
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Purchasing Managers' Indexes (PMI) are based on monthly surveys of companies worldwide and gauge business conditions within the manufacturing and services sectors.

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