

Chairman Warsh's Jackson Hole Speech Emphasizes Price Stability

PIMCO · richard clarida · 2026-08-28 · English original

In an ambitious and much-anticipated Jackson Hole speech, Federal Reserve Chairman Kevin Warsh made the most market-moving news when he stated clearly that unless “underlying inflation is moving to our objective, clearly and at sufficient speed ... we have work to do.” Warsh also assessed that “while this summer’s inflation readings were better than expected, they do not tell me that underlying inflation trends have meaningfully improved,” and he judged that financial conditions are not at present restrictive (“I would be hard-pressed to describe broad financial conditions as restrictive”).

Markets appear to have taken these remarks as his intended signal that a discussion about a policy rate hike is clearly on the table for the September meeting.

Warsh devoted much of the speech to a lengthy discussion of the economic implications of AI. He also offered a detailed enumeration of seven principles that will guide his tenure as Fed chairman. Among these principles, Warsh highlighted that the Fed’s numerical inflation “firm and fixed” target remains 2% as measured by the Personal Consumption Expenditures (PCE) price index, and that “price stability is not self-executing, nor is inflation necessarily mean-reverting.”

Taking the chairman’s comments as a whole, while he did say that “I stand here today committed to a discipline, not to a decision,” we believe he left little doubt that the Consumer Price Index (CPI) inflation data for August that will be released just a few days before the September Fed meeting will be crucial. That fresh data may well determine whether a majority of the twelve voting members of the Federal Open Market Committee have seen enough to vote in favor of a hike in “short-term interest rates [that] are the predominant tool to achieve the dual mandate.”

Terms and Conditions and Privacy Policies

Please read and acknowledge the following:

Europe, Middle East & Africa

Location not listed? Visit our Global Site.

Source: <https://www.pimco.com/us/en/insights/chairman-warshs-jackson-hole-speech-emphasizes-price-stability>