MNI Jackson Hole Preview: Aug 2025

By Tim Cooper, Aug 20, 2025

Fed policy communications will be a key focus in the coming days, starting with the **minutes of the July FOMC meeting** (1400ET Wednesday) which will be eyed for the degree of support on the Committee for a rate cut outside of the two dissenters (Bowman, Waller). **The main event though is the annual Jackson Hole Economic Policy Symposium (Aug 21-23)**, with the key event being Chair Powell's speech on Friday (1000ET/1500UK).

- While Fed officials and multiple global central bank/policy figures will be in attendance, the focus as always will be the keynote speech by the Fed Chair, with Powell speaking at 1000ET Friday Aug 22 on the "Economic Outlook and Framework Review".
- **Attention will of course mostly be on any nod Powell makes to a potential September Fed rate cut**, a prospect which we discuss below and in the inter-meeting communications update later in the document. As the speech title indicates, a large portion of his comments will touch on the findings from the Fed's policy framework review.

Schedule / Attendees: This year's symposium theme is "Labor Markets in Transition: Demographics, Productivity, and Macroeconomic Policy." The full Jackson Hole schedule will be released Thursday at 2000ET (0100UK time early Friday morning), which will include the various academic paper presentations. The full Symposium website is here (which will include links to papers, livestreams, and schedule): https://www.kansascityfed.org/research/jackson-hole-economic-symposium/

- There will be the usual FOMC President TV interviews on the sidelines. If previous years are any guide, we will get at least some ad hoc announcements of Thursday and Friday's TV interviews at some point.
- MNI will update clients on additions to the schedule via our IB and Bullets services.
- Several senior central bankers also will be in attendance. In addition to Powell's speech, we will hear from other central bank policymakers, including BoE Gov Bailey and ECB President Lagarde on the same panel (1225ET/1725UK Sat).
- The BOJ's Ueda will be in attendance (though no official speaking slot is known, if any). Swedish Riksbank's Theeden is also confirmed to be attending (he told MNI that "central bank independence", geopolitics, and trade wars could be key themes along with the official labor market dynamic topic).
- However, not all attendees will be presenting / giving media appearances.

Powell's Speech Unlikely To Clearly Signal September Cut: The key question for Friday's Powell speech is the degree to which he signals that the Fed is likely to resume the easing cycle in September. MNI's reading of the current state of play on the FOMC is that the Committee is split roughly three ways on the September decision: we see currently 4 in favor of a cut (2 of which are voters), 10 that could be persuaded to do so (7 of which are voters), and 4 who are likely opposed (2 of which are voters). We go through this later.

- As some analysts have noted, Jackson Hole's ability to move markets has waned in recent years vs pre-Covid, though this year's could be impactful with FOMC policy at a turning point. We include multiple analysts' views below.
- Last year's Jackson Hole speech proved consequential: after holding at the July meeting, Powell told the symposium audience that "the time has come for policy to adjust", nodding clearly to a September cut as the FOMC grew increasingly concerned about labor market weakness after downside surprises to payrolls data. The Fed would eventually start the easing cycle with a 50bp cut at the September meeting, and would match market pricing going into Jackson Hole of 100bp of reductions through the final 3 meetings of the year.
- This year's setup has echoes: a July hold followed by an unexpectedly weak employment report (including downside revisions), and increasing speculation of not just a September cut (25bp is around 80% priced), but risks of a 50bp reduction as well.
- **We think Powell will avoid an overtly dovish nod at this meeting**, given how split the Committee appears to be on the need to cut rates. Powell's commentary at the July FOMC did not clearly point to an upcoming cut ("really hard to say"), noting "this is an intermeeting period where we will get two full rounds of employment and inflation data before the time of the September meeting. We have made no decisions about September. We don't do that in advance."
- **While it's a different situation this year, compare Powell's responses at the latest press conference with July 2024**. Both years he emphasized that the FOMC hadn't decided on future meetings, and that it would come down to the "totality" of the data, but in 2024 he explicitly said "a reduction in our policy rate could be on the table as soon as the next meeting in September…the broad sense of the Committee is that the economy is moving closer to the point at which it will be appropriate to reduce our policy rate." That wasn't the case this year.
- Even commentary since the July payrolls data hardly leaves us sure a majority of the voters have moved in favor of a September cut. That ultimately will leave it to Powell to make the case for a cut – or not - bringing the bulk of the Committee with him.
- **In turn, that could well depend on the upcoming data, and we think that he will probably make that dependence clear** at Jackson Hole. In the end we think he will leave the door open to a September cut, but not as overtly as some may think, instead tying it to further clear signals from upcoming labor market data without which the Committee will continue to wait-and-see how tariff-driven inflation pressures develop.

- The theme of the conference gives him plenty of scope to discuss how the Fed is assessing employment data, and whether in his opinion the labor market can continue to be described as “solid”. We’d expect him to be fairly equivocal on this front, acknowledging downside risks but noting that recent developments suggest both weaker supply and demand in the labor market that warrants further assessment.

- **Our Instant Answers for the speech** look for overt signals from Powell that a rate cut will be appropriate at "an upcoming meeting" or "soon", and/or emphasizes weakness in the labor market relative to upside inflation risks.
- We are also watching for relatively hawkish signals, including that he argues current policy "remains appropriate", or suggests that recent inflation data points to potential tariff-related persistence.

- **Framework Review:** As the speech title indicates, a large portion of Powell’s comments will touch on the findings from the Fed's policy framework review. Changes to the Statement on Longer-Run Goals and Monetary Policy Strategy are expected to include a move away from the Flexible Average Inflation Targeting (FAIT) and emphasis on addressing shortfalls in the employment mandate that were adopted in the 2020 review.
- This is not set to be an impactful change in terms of current policy: it effectively marks-to-market the prior framework to recognize for example that the FOMC has largely abandoned (and never mentions) FAIT.
- Recall (per our Policy team – see article at end of this document): the 2020 changes included a shift from targeting “deviations” from full employment to targeting “shortfalls,” and expanded the definition of full employment to be “broad and inclusive.” At the same time, officials committed to FAIT without a specific timeframe over which the target was expected to be reached. In addition, policymakers promised to overshoot 2% for some time “following periods when inflation has been running persistently below” target.
- The new framework is likely to revert to a simpler approach - Former New York Fed President Bill Dudley told MNI in May he has modest expectations for the scope of the current review. “I think it will be relatively narrow – moving back towards the 2012 framework on employment and inflation and keeping 2% inflation as the target – always without offsetting undershoots with overshoots. I do not expect a QE/QT cost-benefit framework but believe it is needed.”
- At a later date, the Fed will address changes to communications policies, including potentially to the infamous Dot Plot.

MNI Instant Answers:

The questions that we have selected for this meeting are:

- Does Powell say a rate cut will likely be appropriate at "an upcoming meeting" or "soon"?
- Does Powell indicate that a larger (50bp) cut could be considered at the next FOMC meeting?
- Does Powell say policy is currently "well positioned to respond to developments" or "remains appropriate"?
- Does Powell indicate downside risks to employment have risen faster relative to risks to inflation?
- Does Powell describe labor market conditions as weaker than previous characterization (solid, broadly in balance, close to maximum employment)?
- Does Powell say the recent increase in inflation could prove more persistent? (must directly reference the recent inflation data)"*

The markets team has selected a subsection of questions we think could be most market moving and will publish the answer to all of these questions within a few seconds of the speech being released.

Key Inter-Meeting Fed Speak Since July

By Tim Cooper
August 19, 2025

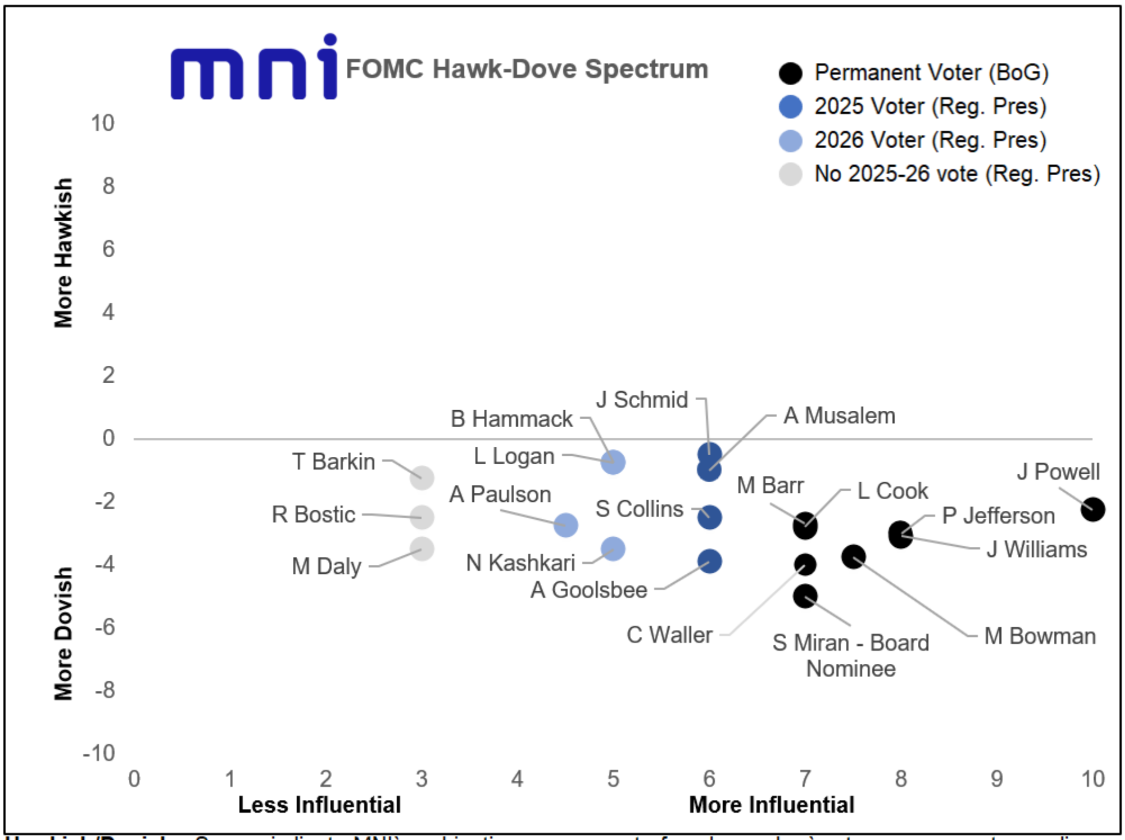
Of the 18 current FOMC participants, there appears to be a nearly even split between those who at this point would support a rate cut in September, and those who would not. In our assessment of 18 FOMC members (down from the usual 19 due to Gov Kugler's surprise resignation this month) we see currently 4 in favor of a cut (2 of which are voters), 10 that could be persuaded to do so (7 of which are voters), and 4 who are likely opposed (2 of which are voters).

Voters: The first two members in the "cut" column are **voters Governors Bowman and Waller**, who said that they voted against the central bank's "wait and see" rate policy in July because upside risks to price stability have diminished and it was time to proactively hedge against further weakening in the economy and the risk of damage to the labor market. Bowman said this month she'd support 3 rate cuts through year-end (ie at each remaining meeting).

- It's arguable that **Gov Cook** sounded increasingly minded to a September cut when she commented after the August payrolls report that the labor market could be at an "inflection point" – but she didn't outright endorse one. And the other permanent voters – **Powell, Barr, Williams, and Jefferson** – haven't commented since the July meeting (or August payrolls report). We would expect the Board members (ex-Bowman/Waller) to vote more or less as a bloc.
- **Among the 4 regional Fed voters in 2025**, the 3 who have commented on monetary policy since the July rate hold have not explicitly ruled out support for a September cut, but nor have they endorsed one.
- **Chicago Fed Pres Goolsbee** said that while FOMC meetings in the fall are "going to be live", he didn't offer much in the way of overt support for a rate cut in September. Indeed he says he's "uneasy" about the idea that tariffs have only a one-off impact on prices, and that "the hardest thing that a central bank ever has to do is try to get the timing right when there are moments of transition."
- **Kansas City's Schmid** hinted that he wouldn't support a rate cut as soon as September, and could even dissent against such a decision. "retaining a modestly restrictive monetary policy stance remains appropriate for the time being …First, while monetary policy might currently be restrictive, it is not very restrictive. And second, given recent price pressures, a modestly restrictive stance is exactly where we want to be."
- **St Louis's Musalem** sounded worried about deviations from both the employment and price stability mandates, so "for me, it's too early to say exactly what policy I will be able to support."
- **Boston's Collins** hasn't spoken since the July meeting, but signalled last month that her view at that time was that one rate cut by year-end would likely be appropriate, putting her on the relatively hawkish end of the FOMC spectrum.
- So among voters, that suggests about 2 will definitely support a cut (Bowman, Waller), 2 are probably opposed (Schmid, Musalem), and the remaining 7 (Goolsbee, Cook, Powell, Barr, Williams, Jefferson, Collins) may not yet be convinced.
- Here we exclude **CEA chairman Stephen Miran**, who has been nominated to Kugler's board seat and who plausibly could be in place by the September meeting – per Politico: "'The White House has been aggressively pushing Dr. Miran's nomination to the Federal Reserve Board, setting the stage for his quick confirmation when the Senate returns in September,' said a White House official". If he's in place by the meeting, that's a clear addition to the cut column.

Non-Voters: As far as the 7 non-voting FOMC participants, we detect a similar split: 2 likely for a cut; 3 that could go either way, and 2 likely leaning against.

- The one non-voter that looks sure to support a September cut based on post-July commentary is **San Francisco's Daly,** while **Minneapolis's Kashkari** has suggested that two cuts by year-end including September is a base case.
- Those that suggested they could be persuaded to cut if there is continued weakness in labor market data – but not currently a base case - include **Atlanta's Bostic** and **Cleveland's Hammack. Philadelphia's Paulson** has just joined the FOMC and hasn't yet commented on monetary policy but for now we consider her open to the idea of a cut.
- **Richmond's Barkin** hasn't suggested any real preference to cut in September and sounds patient to wait for further data/information. **Dallas's Logan** hasn't commented since the July meeting but we think she would not be easy to convince that a September cut is appropriate.



Hawkish/Dovish: Scores indicate MNI`s subjective assessment of each member`s stance on monetary policy. **-10** implies member believes aggressive easing warranted; **+10** is most hawkish, implies member believes aggressive tightening warranted. Scores around -2 to +2 considered relatively neutral.
Influence: The x-axis runs from **0** ('least influential') to **10** ('most influential'). Voters in the current year receive a minimum score of 6; the Chair receives a 10 and Board of Governors members receive at least 7. Those who are not voters in the current year are limited to a score of 5; among them, those due to vote next year receive higher influence scores (rising towards end of current year), and vice-versa. **Updated Aug 20, 2025**

Member	**Role**	**Voter**		**Monetary Policy Commentary Since July FOMC**
		'25	**'26**	
J Powell	BOG, Chair	**X**	**X**	- **No commentary on current monetary policy since last FOMC meeting**
J Williams	NY Fed, VChair	**X**	**X**	- **No commentary on current monetary policy since last FOMC meeting**
P Jefferson	BOG, VChair	**X**	**X**	- **No commentary on current monetary policy since last FOMC meeting**
M Bowman	BOG, VChair	**X**	**X**	- **On the rate outlook:** Says she supports 3 rate cuts the rest of 2025, including in September. "As I recognize that economic conditions are shifting, I believe that beginning to move our policy rate at a gradual pace toward its neutral level will help maintain the labor market near full employment and ensure smooth progress toward achieving our dual mandate…I see the risk that a delay in taking action could result in a deterioration in labor market conditions and a further slowing in economic growth." **– Aug 9** - "The underlying trend in core PCE inflation appears to be moving much closer to our 2% target than is currently shown in the data… As I gain even greater confidence that tariffs will not present a persistent shock to inflation, I see that upside risks to price stability have diminished. With underlying inflation on a sustained trajectory toward 2 %, softness in aggregate demand, and signs of fragility in the labor market, I think that we should focus on risks to our employment mandate." **– Aug 9** - **On the July dissent in favor of a 25bp cut:** "Inflation has moved considerably closer to our target, after

Member	Role	Voter		Monetary Policy Commentary Since July FOMC
		'25	'26	
				excluding temporary effects from tariffs, and the labor market remains near full employment. With economic growth slowing this year and signs of a less dynamic labor market, I saw it as appropriate to begin gradually moving our moderately restrictive policy stance toward a neutral setting. In my view, this action would have proactively hedged against a further weakening in the economy and the risk of damage to the labor market." – Aug 1 dissent explanation
L Cook	BOG	**X**	**X**	- **On the labor market:** "We just received this jobs market report and this is concerning, you know, 35,000 jobs per month over the last three months ending in July. And there were major revisions to May and June. And these revisions are somewhat typical of turning points, which again, speak to uncertainty.... We want to know not just where we've been but where we're going. So if we're at an inflection point, we want to look at data, for example, that speak to inflection points. And it's not always payrolls - the unemployment rate is still a good indicator of slack in the system." **-Aug 6**
C Waller	BOG	**X**	**X**	**On the July dissent in favor of a 25bp cut:** "I believe that the wait and see approach is overly cautious, and, in my opinion, does not properly balance the risks to the outlook and could lead to policy falling behind the curve. The price effects from tariffs have been small so far, and since we will likely not get clarity on tariff levels or their ultimate impact on the economy over the course of the next several months, it is possible that the labor market falters before that clarity is obtained—if it ever is obtained. When labor markets turn, they often turn fast. If we find ourselves needing to support the economy, waiting may unduly delay moving toward appropriate policy." **– Aug 1**
S Miran - nominee for vacant seat	BOG	**X**	**X**	- **On inflation:** "At the aggregate level, when you look holistically across the inflation data, there's just no evidence of [tariffs] whatsoever… we think that there's a very strong reason for thinking of very profound service disinflation coming up in the near future, as net migration has come to zero because of the President's strong border policies." **-Aug 12**
M Barr	BOG	**X**	**X**	- **No commentary on current monetary policy since last FOMC meeting**
A Goolsbee	Chic. Fed	**X**		- **On the rate outlook:** Says meetings in the fall are "going to be live" but he's "uneasy" about the idea that tariffs have only a one-off impact on prices, and "the hardest thing that a central bank ever has to do is try to get the timing right when there are moments of transition." **– Aug 13** - "I'm not speaking for them, but I see my colleagues on the FOMC grappling with the same thing I'm trying to figure out, which is: Are we still on the "golden path" where the economy's doing fine and inflation is going to come back down? Or are we getting into something where the costs are going to start rising again? And then we've got to be a little uneasy." **– Aug 13** - "One risk would be we get back into an environment where costs are rising. We've been above the 2% target for four and a half years now. I was still feeling okay about that, even though we've been above for four and a half years because it was coming down. If we get into an environment where it's not coming down, we're above four and a half years and it's going the wrong way, and that's looking persistent. That would be a that would be a problem. And in my opinion, the Fed will have to act. And on the other side, if we have a more traditional slowing of the economy and there are some warning signs in the labor market, that would no longer be the soft landing, we would have we would have had the hard landing. And so I kind of think both sides of that, we've got to keep an eye on." **– Aug 13** - **On the latest inflation data:** "We had a couple of months of quite mild and favorable inflation readings, and now we've gotten, let's call it one month, where there are some concerning elements…if we start getting more reports like the latest one on overall inflation… that would be more concerning." **– Aug 13** - "It's been a little mixed…I feel like we still need another, at least, to figure out if we're still on the golden path… I do think we're going to be in the business of trying to figure out which part of these price increases are we ignoring because we think they're transitory, and which ones are we responding to… if we keep getting inflation reports like the first two out of the four [in August], I would be very comfortable that the dust is out of the air."" **-Aug 15** - **On the labor market:** "I think the state of the labor market is pretty strong." **– Aug 13**
S Collins	Bos. Fed	**X**		- **No commentary on current monetary policy since last FOMC meeting**
J Schmid	K.C. Fed	**X**		- **On the rate outlook:** He sees policy as "not very restrictive" and close to neutral and appears to view the debate over tariff-driven inflation as something of a distraction. "With the economy still showing momentum, growing business optimism, and inflation still stuck above our objective, retaining a modestly restrictive monetary policy stance remains appropriate for the time being. Though of course this is a position that I will continually reassess as we receive new data and information on inflation, the labor market, and the economy more generally." **– Aug 12** - While "the Fed cannot offset the effect of higher tariffs on prices, [] what the Fed can do is monitor demand growth, provide space for the economy to adjust, and keep inflation on a path to 2 percent. Overall, I am anticipating a relatively muted effect of tariffs on inflation, but I view that as a sign that policy is appropriately calibrated rather than a sign that the policy rate should be cut." **– Aug 12** - "My support for a patient approach to changing the policy rate is based on two connected arguments. First, while monetary policy might currently be restrictive, it is not very restrictive. And second, given recent price pressures, a modestly restrictive stance is exactly where we want to be." **- Aug 12** - "While it is true that payroll growth was weak over the summer, a broader set of indicators suggest a labor market that is in balance..on the other side of the mandate, inflation remains too high." **- Aug 12**

Member	Role	Voter '25	Voter '26	Monetary Policy Commentary Since July FOMC
A Musalem	St. Louis Fed	X		- **On the rate outlook:** Says that he supported the July decision to hold rates as the FOMC is missing on its inflation target but not its employment target. - "Given the economy where it stands today, it seemed appropriate to maintain the policy rate at a constant for now. Looking into the future, there is a risk that we may miss on both sides of our mandate." **– Aug 8** - "It is likely that most of the impact of tariffs on inflation will be short lived and will fade once the tariffs work themselves through the economy. But there's a reasonable probability that there may be some persistence to inflation. On the labor market side, the labor market right now looks good. The unemployment rate is low. It's about 4.1-4.2%. The labor market is balanced in terms of supply and demand... there's a low rate of hiring right now. And so any increase in the rate of layoffs could potentially increase the unemployment rate. And that could happen suddenly... economic activity has been weaker than potential… That's the balancing act that we're doing right now. I'm always open minded when I get into our meetings, as I think about what the outlook is for the economy and how to set policy." **– Aug 8** - **On a Sept cut:** "For me, it's too early to say exactly what policy I will be able to support." **-Aug 14**
B Hammack	Clev. Fed		X	- **On the rate outlook:** Says the FOMC will get a lot more data before the next meeting; policy is a "little bit" restrictive; feel "confident" with the decision to hold rates in July. **– Aug 1** - **On the labor market:** "We could see some weakening on the labor side… and if we see that, it would be something that we might want to respond to." **-Aug 1** - **On inflation:** "We have to look at, if we're missing, by how much and for how long do we expect those misses to last? And right now, we're missing by much more on the inflation side than we're missing on the employment side." **– Aug 1**
A Paulson	Phil Fed		X	- **Became President after Patrick Harker retired end-June, No commentary on monetary policy yet**
N Kashkari	Minn. Fed		X	- **On the rate outlook:** Says that his outlook for two rate cuts by year-end is still "reasonable" (he said in June that this implied a "possible first cut in September") though suggests that the Fed could reverse course if it turns out tariffs are too inflationary for comfort. - "I would love to not have to [backtrack on cuts], but I'm realizing that these tariff effects are going to take a lot longer to really become clear. And if virtually all the other economic data is pointing to a cooling economy and a slowing economy, how long can we wait until the tariff effects become clear? That's just weighing on me right now. And so if the best of all the options is we make some adjustments, and then we have to pause, or even then we have to reverse course. That might be better than just sitting here on hold until we get clarity on tariffs." **– Aug 6** - **On the labor market:** "if you want to look at supply and demand in any market, look at the price. The price of labor is wages, and wage growth is declining. It's been declining for some time. That tells me, yes, the labor market is cooling." - **On the BLS data:** "I have had no reason to doubt the integrity of the BLS data...Ultimately, you cannot fake economic reality, even if, in the worst case scenario, imagine that numbers are being faked for anybody's political benefit. People are going to feel what they feel. Companies are either going to be hiring or they're not. And so Americans are going to feel the economy and so convincing them that inflation is not real is not a very effective strategy. Convincing somebody that the jobs number are better than they really are, I don't think it's actually going to work. So I don't even see the point of [manipulating the data]." **– Aug 6** - **On Gov Kugler's replacement:** "There's... 19 of us at the table all making our best case about what's happening in the economy, and you have to persuade your colleagues. And if this person comes in and makes great arguments that we all find very persuasive, they can have a lot of influence." **– Aug 6**
L Logan	Dall. Fed		X	- **No commentary on current monetary policy since last FOMC meeting**
T Barkin	Rich. Fed			- **On the rate outlook:** While he says the "the fog" of uncertainty in multiple areas "is lifting", he appears to suggest that more time and data is still needed before making any decisions: "at our July meeting, with the labor market near most estimates of maximum employment and inflation above target, the FOMC continued to hold the fed funds rate at a modestly restrictive level. We may well see pressure on inflation, and we may also see pressure on unemployment, but the balance between the two is still unclear. As the visibility continues to improve, we are well positioned to adjust our policy stance as needed." **– Aug 12** - "I am getting a smell of a stronger July on the consumer side…if you look at weekly credit-card data, for example, it looks a lot healthier… the underlying dynamics still feel very healthy to me. People have jobs. Real wages are going up." **- Aug 14**
R Bostic	Atl. Fed			- **On the rate outlook:** "For the rest of this year, I still have one cut on my outlook… that also is predicated on the notion that labor markets stay solid. If they weaken considerably, that balance of risks starts to look differently and the appropriate path will look different as well." **– Aug 13** - **"**Today, I think my strategic approach would be 'move and wait.' It might be that it will take some time for the economy to evolve after a move that we do, in ways that make clear sort of what the next step would need to be." **-Aug 17** - **On tariff inflation:** "This has not been a one-time thing where you wake up on one day and everybody knows what all the tariffs are…I think more and more that we will still be seeing strategic adjustments into 2026." **– Aug 7**
M Daly	S.F. Fed			- **On the rate outlook:** Says her base case of 2 cuts by year-end is reasonable but 3 could be appropriate depending on labor market deterioration. "Policy is likely to be too restrictive for where the economy is headed. So for me, that calls for recalibration" including moving to neutral "over the next year or so." **– Aug**

Member	Role	Voter		Monetary Policy Commentary Since July FOMC
		'25	'26	
				14 - "I would lean to thinking that every meeting going forward is a live meeting to think about these policy adjustments." **– Aug 4** - "The labor market has softened. And I would see additional slowing as unwelcome. All this means that we will likely need to adjust policy in the coming months." **– Aug 6** - **On the labor market:** "not bad right now [but] … you know the direction of change is going the wrong way… we can't simply ignore that it is softening." **– Aug 14** - **On a 50bp cut:** "Fifty sounds, to me, like we see an urgent-I'm worried it would send off an urgency signal that I don't feel about the strength of the labor market. I just don't see that. I don't see the need to catch up." **-Aug 14**

Analyst Views On Jackson Hole:

BofA: "In July, Powell suggested he'd be comfortable with zero payroll growth, as long as the u-rate remained range bound. With that scenario now much closer to reality, we'll find out next week at Jackson Hole if he's willing to walk the talk. If Powell wants to lean against a September cut, he could say that the policy stance remains appropriate given the data at hand. We note that this phrasing would allow him to retain the optionality of cutting if the August jobs report is very weak. Of course, he might also telegraph a cut by saying it is appropriate to move to a less restrictive policy stance."

Citi: "Powell laid out his framework for approaching a return to rate cuts at the July FOMC meeting press conference. Policy rates are at least "modestly restrictive" in his view, which is appropriate if upside risks to inflation dominate. But if downside risks to employment balance the upside risk to inflation, then it would be appropriate to cut policy rates toward neutral."

Deutsche: "Given the divided opinions and upcoming data releases, Chair Powell is unlikely to provide strong forward guidance ...In our view, while Powell might modestly downgrade his assessment of the labor market compared to the July FOMC meeting, he is likely to stress data dependence. In particular, he could signal greater openness to cutting rates in the near-term but without committing to a specific action in September. Indeed, with elevated market pricing for a pivot towards policy easing in September, there is little upside to sealing the deal for a rate cut in 5 weeks."

Goldman Sachs: "Last year, Chair Powell and other FOMC participants used this time to lay out the case for dialing back the degree of policy restriction without locking into a specific course of action before seeing the next round of payrolls and inflation reports. It seems likely that speakers this year will follow a similar pattern, so investors hoping for a more explicit policy signal next week could be disappointed."

ING: "A September rate cut is fully priced by financial markets. Does he push back? Ideally, the Fed wants flexibility, especially with one more jobs and inflation report due. But signalling that now means guessing the data – something Powell won't want to do. And that's before considering whether he can shake market conviction in a September cut, even if he wanted to."

JPM: "While highly anticipated, it is useful to recall that several recent Jackson Hole speeches by Fed chairs did not break new ground or send clear policy signals. Despite this week's data, we still see the FOMC cutting at the next meeting. So, to the extent Powell does talk about the policy outlook next week, we see him noting the softer July jobs report as tilting some of the employment-inflation risk balance. However, with several Fed speakers recently stating that the case for a cut has not been made, and with more employment data to come, we don't think Powell can firmly guide toward easing at the next meeting."

Mizuho: "We expect Powell to disappoint the bullish sentiment in the market. We would be unsurprised if Powell's Jackson Hole commentary is focused on the Fed's framework review. That will have less of an immediate market impact but is more likely to be hawkish in tone, particularly relative to the framework change introduced at Jackson Hole in 2020."

Natixis: "We worry that the market may begin to fear Powell pushback or a result similar to the July FOMC– where (with aggressive market pricing) Powell is more neutral than dovish. That stance was possibly previewed by more cautious Fed-speak this week, including from traditionally dovish Austen Goolsbee."

Nomura: "we expect Powell will signal that policy easing is likely, without committing explicitly to a September rate cut or multiple rate cuts this year. .. Given that there is another round of monthly economic data between the Jackson Hole symposium and the September FOMC meeting, Powell is unlikely to telegraph what the Fed will do in September. In our view, this will leave the Fed on track to deliver the two 25bp cuts indicated in the March and June dot plots."

SEB: "We expect Powell to acknowledge downside risks to employment but highlight that a slowing supply makes it harder to assess the state of the labour market. We believe that Powell will say that policy is data dependent and that the September decision will consider inflation and employment reports for August. "

TD: “We expect Chair Powell will communicate the Fed's lean towards easing in September at Jackson Hole. Although there is still more data to come, we believe Powell will suggest that economic conditions support policy re-calibration. Downside risks to the labor market have grown, while tariff passthrough into inflation appears slower and more manageable than previously expected.”

Wrightson ICAP: "We don’t expect any fireworks in Chair Powell’s Jackson Hole speech on Friday. His speech at last year’s conference confirmed the impending policy pivot in September 2024 when he said that “the time has come for policy to adjust” after more than a year of holding the funds rate target range steady at a cyclical peak of 5 ¼% to 5 ½%. This week’s underlying message may be similar in substance, but his phrasing is likely to be less assertive. He is likely to acknowledge (as he has done in the past) that the economic outlook may allow the Fed to cut rates over the remainder of the year, but we expect him to reiterate the importance of waiting for incoming data before judging what policy actions will be appropriate at next month’s meeting. While we think it is highly likely that the Fed will cut rates by 25 basis points in September, we don’t expect any strong signals from the Chair on Friday."

MNI Policy Team Highlights

MNI: Ex-Officials Fear Fed Review Could Be Too Narrow

By Pedro Nicolaci da Costa – May 22, 2025

WASHINGTON - The Federal Reserve’s framework review is likely to restore greater symmetry between its employment and inflation objectives, but may still end up being too narrowly focused on changes in terminology to be a truly useful exercise in determining what went wrong in the 2021-2022 inflation surge, former Fed officials told MNI.

“The idea of a skinny revision is a little disheartening. What they went through with the inflation surge of 2021, 2022 and 2023 is a huge blunder. I’m sure they recognize they made mistakes, and not just in hindsight,” said Jeffrey Lacker, former Richmond Fed President. “The last framework revision clearly contributed to that. It tilted things toward the full employment mandate.”

The central bank’s framework was first explicitly established in 2012, but was the culmination of a long-standing effort at developing a constitutional document to guide policy that began in the mid-1990s, ex-officials said.

The problem with the 2020 review, according to critics, is that the changes made to the framework were addressing a very specific set of circumstances – in particular, a chronic if modest undershooting of the Fed’s 2% target.

SHORTFALLS AND OVERSHOOTS

The 2020 changes included a shift from targeting “deviations” from full employment to targeting “shortfalls,” and expanded the definition of full employment to be “broad and inclusive.” At the same time, officials committed to a new flexible average inflation target program without a specific timeframe over which the target was expected to be reached. In addition, policymakers promised to overshoot 2% for some time “following periods when inflation has been running persistently below” target.

All of these factors, in addition to forward guidance that tied the prospect of Fed hikes to a tapering of its balance sheet, are seen as having hamstrung Fed action, thus delaying rate increases and forcing them to occur more aggressively and arguably to a higher level than might otherwise have been needed.

Former New York Fed President Bill Dudley also has modest expectations for the scope of the current review.

“I think it will be relatively narrow – moving back towards the 2012 framework on employment and inflation and keeping 2% inflation as the target – always without offsetting undershoots with overshoots. I do not expect a QE/QT cost-benefit framework but believe it is needed,” he said.

Andrew Levin, a former Fed board staffer and special adviser on communications, thinks the Fed's inflation blunder was sufficiently egregious to warrant a wide-ranging external review like the one ex-Fed chair Ben Bernanke conducted for the Bank of England.

"The Fed should welcome an external review that would provide a more comprehensive 'lessons-learned' from the past five years. Such an initiative could be roughly similar to Bernanke's recent review of forecasting and communications at the Bank of England."

Dudley agreed: "I am hopeful that Powell will pursue a Bernanke-type of proposal --staff forecast with scenarios." (See MNI: Fed To Examine If Framework Robust To Any Scenario) Dudley recently chaired a G30 study regarding the framework which argued that calls for greater clarity from policymakers on how to achieve their objectives.

TIME INCONSISTENCY

However, Levin is sympathetic to the idea that this particular five-year review is not especially well-timed, and thus might need to be more circumscribed.

"Chair Powell should be applauded for revising the policy framework that will be passed on to his successor. Nevertheless, the next Fed chair might well decide to change course and follow a different approach," he said. (See MNI POLICY: Warsh Could Reshape Fed On Rates, Communication)

"The framework adjustments that the Fed made in 2020 mostly turned out to be irrelevant or counterproductive. Thus, the simplest approach right now would be to revert back to the previous framework that the Fed adopted in 2012."

Former Philadelphia Fed President Charles Plosser pointed to his own recent recommendation to the Shadow Open Market Committee that the framework revision include a "more thoughtful and thorough review of the inflation process and dynamics and how they relate to monetary policy tools."