SMBC SMBC Group

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Insufficient Inflation Progress

Fed Chairman Warsh's speech today was hawkish: "while this summer's PCE and CPI readings were better than expected, they do not tell me that underlying trends have meaningfully improved", and "the Fed's price-stability objective of 2 percent, as measured by ***the personal consumption expenditures (PCE) price index***, is a firm, fixed target. Price stability is not self-executing." This signal is critical because earlier in the summer, for many Fed voters, openness to hiking was conditioned upon inflation cooling "soon" (shown below). Our economics team expects that this hawkish messaging reflects not only Chair Warsh's support for a September 16 hike, but that *the committee has moved in the direction of supporting a hike*. Today's remarks also indicate that Chairman Warsh is closely focusing on the *headline* PCE deflator as his preferred inflation metric — which is currently running at 3.7% y/y and just 2.2% on a three-month annualized basis.

Notable Commentary from 2026 Fed Voters

2026 Voters (12)	Majority Needed (7)	Hawk/Dove	Notable Commentary	Ready to Hike?
Chair	***Warsh***	***Hawkish***	***Aug 28: Fed's 2% PCE objective is a firm, fixed target. Inflation data don't suggest trend meaningfully improved. Labor market consistent with full employment.***	Yes
Governor	***Jefferson***	***Neutral***	***Jul 16: If "inflation does not [...] cool down soon [...] it could be appropriate to reconsider our current policy stance"***	?
Governor	Powell	Neutral/Dovish	Apr 29: "Maybe a little bit of restriction or the high end of neutral is just the right place to be. [W]e can wait here."	No
Governor	Bowman	Neutral/Dovish	Aug 8: Fed policy is "well positioned" for returning inflation to the 2% target.	No
Governor	Barr	Dovish	Jun 3: "Policy is in a good place, likely to stay there for some time."	No
Governor	***Waller***	***Neutral***	***Jul 13: "Fed must avoid repeating inflation mistake of 2021-2022 [....] Need to see several months of lower inflation readings."***	?
Governor	***Cook***	***Neutral***	***Aug 5: "If I do not see signs of continued disinflation soon, I am prepared to act" and "we do not have [the] luxury [of waiting]"***	?
Pres (NY)	Williams	Dovish	Aug 3: "[M]onetary policy currently is well positioned [...] to support that disinflationary path"	No
Pres (PHI)	Paulson	*Neutral/Dovish*	Aug 4: "Open minded". "Underlying inflation is [...] between 2.4 and 2.8 [%]. If [this] remains stubbornly elevated, the passage of time without progress would itself signal that more restrictive policy is needed."	No
Pres (CLE)	***Hammack***	***Hawkish***	***Aug 13: "My view is we need to act now." "Recent inflation reports are definitely better [...] I don't have confidence we'll continue to see that."***	Yes
Pres (DAL)	***Logan***	***Hawkish***	***Jul 31: "Modest action in the near term would reduce the likelihood of needing to take sharper action later."***	Yes
Pres (MIN)	***Kashkari***	***Hawkish***	***Aug 5: "Now is time to start slowly moving up rates." and "I am not calling for dramatic increase in rates."***	Yes

Source: Federal Reserve, SMBC Nikko US Economics

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