

# Fed's Bullard raises doubts

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Citing "relatively weak" economic data, St. Louis Federal Reserve chief James Bullard raised questions Friday about the Fed's plans for two more rate hikes this year, saying the strategy may be "overly aggressive."

In March, the Fed lifted its benchmark short-term rate by a quarter percentage point for the second time in three months, and



James Bullard says weak economic data may delay hikes.

policy makers' median forecast signaled two more similar increases in 2017. Fed Chair Janet

Yellen pointed to steady job gains and the fading of obstacles to growth, such as the oil price crash and China's economic troubles. Based on that blueprint, futures markets say there's a 74% chance of another hike in June.

Bullard's remarks cast doubts on that timetable. Bullard has been a "hawk," who tends to prefer to raise rates more sharply to head off inflation, but his more recent stances have been "dovish," meaning he has focused more on keeping rates low to stimulate growth and avoid disrupting the sluggish recovery.

## about June rate hike

When the Fed raises its federal funds rate — the rate banks charge each other for overnight lending — it has a ripple effect on everything from auto loans to bank savings rates.

Typically, Bullard said, when interest rates are on "an increasing path," long-term rates should rise, inflation should be on track with the Fed's 2% annual target and financial markets should reflect the Fed's rate hike plans.

Instead, he said, since the meeting in March, financial market readings "have moved in the opposite direction." Long-term

rates have declined, inflation expectations have weakened and market expectations of the Fed's rate hike schedule have dropped.

"This may suggest the (Fed's) contemplated policy rate path is overly aggressive relative to actual incoming data on U.S. macro-economic performance," Bullard said in a presentation at Washington University in St. Louis.

He noted inflation and inflation expectations have "surprised to the downside" recently. Bullard also pointed out the economy grew at a disappointing 0.7% annual rate in the first quarter.