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Fed's Hammack Says No Immediate Justification for Rate Cuts

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Beth Hammack, President of the Federal Reserve Bank of Cleveland, stated that the current economic conditions do not call for an urgent interest rate cut. In her view, the Federal Reserve should maintain its current policy stance until there is clear evidence that inflation is moving sustainably toward its 2 percent target.

In a recent interview, Hammack emphasized that the U.S. economy remains fundamentally strong, with solid job growth and stable consumer activity. She noted that while the Fed is likely near the so-called "neutral rate," there is no pressing reason to begin lowering rates unless labor market conditions begin to weaken significantly.

The federal funds rate currently stands between 4.25 percent and 4.5 percent. While some market participants are anticipating rate reductions later this year, possibly beginning in September, Hammack and several of her colleagues have taken a more cautious approach. She suggested that the Fed should remain data-dependent and avoid preemptive action, particularly in the face of lingering inflation and external uncertainties.

A few policymakers, including Federal Reserve Governor Christopher Waller, have expressed openness to an earlier rate cut. They argue that recent inflation spikes may be temporary, particularly given the impact of new tariffs and supply disruptions. However, Hammack advised a more measured course, pointing out that the full economic effects of shifting trade policies are still unfolding and warrant close observation.

From a center-to-right perspective, Hammack's stance reflects a prudent, market-oriented approach to monetary policy. Rather than responding hastily to short-term pressures or political commentary, she advocates for discipline, clarity, and consistency, qualities essential for maintaining credibility and long-term financial stability.

Moreover, resisting calls for premature rate cuts preserves the Federal Reserve's independence and allows it to remain focused on its core mandate: price stability and maximum employment. As inflation remains above target and geopolitical factors, such as tariffs, continue to influence markets, policymakers must avoid reactionary measures that could do more harm than good.

In summary, Beth Hammack’s position reinforces the need for patience and restraint. The economy remains on stable footing, and until inflation shows clear, sustained progress toward the Fed’s goals, there appears to be little justification for easing monetary policy in the near term.