Chart of the Week

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All Eyes on Jackson Hole

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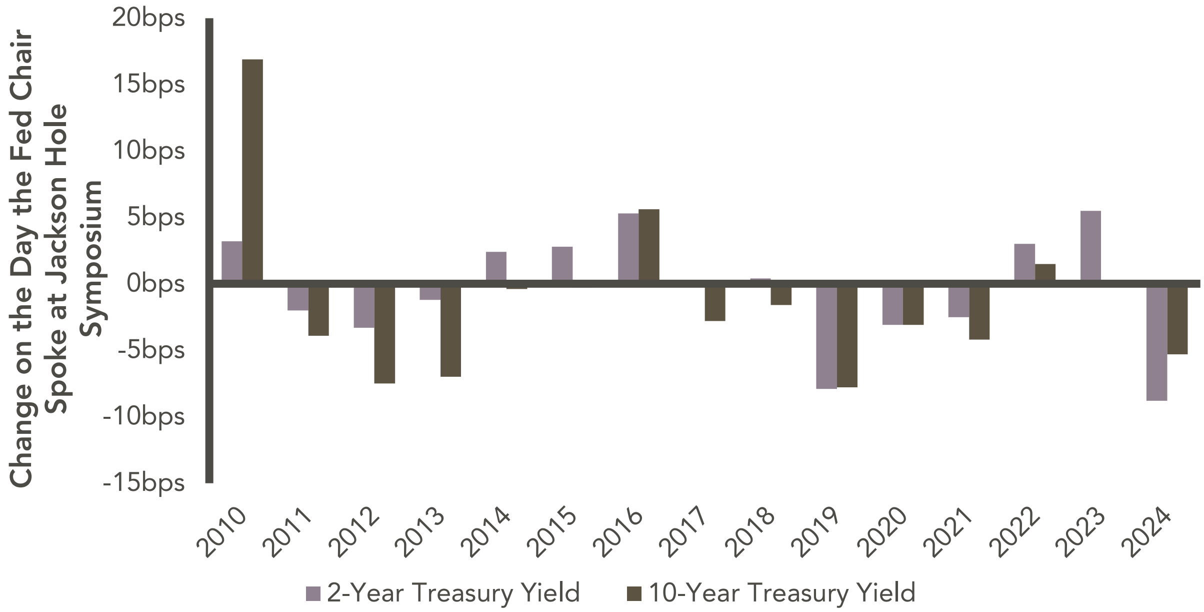
Speeches by Fed chairs at the annual Wyoming symposium often cause swings in the bond market



Source: Bloomberg as of August 19, 2025

Predictions that the Federal Reserve is set to lower interest rates will be put to the test this week as Chair Jerome Powell prepares to outline his view of the economy at the central bank's annual symposium in Jackson Hole, Wyoming. Most anticipate a more dovish tone from Powell in his remarks on Friday due to weakening labor market dynamics, though recent inflation figures have tempered some of that optimism. While a monetary policy decision will not be made at the Jackson Hole symposium, Powell's comments are sure to provide insight into what might occur at the Fed's September meeting, at which there is an 85% chance of a 25 basis point rate cut according to prediction markets. All told, the central bank has three remaining opportunities to make changes to its policy rate in 2025.

Comments from Fed chairs at Jackson Hole have proven significant in the past. For instance, Powell warned that controlling inflation would require economic pain in his speech three years ago, and these remarks sent short-term yields higher. Additionally, at last year's symposium, he indicated that the Fed was prepared to lower borrowing costs from multi-decade highs, triggering a sharp drop in both the 2- and 10-year Treasury. Yields have retreated across most maturities in recent weeks following a lackluster July jobs report, with the 2-year yield now hovering around 3.75%, meaning a material reaction to Powell's speech could send short-term yields to multi-year lows.

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In the weeks ahead, attention will shift from Jackson Hole to the August jobs report, which could solidify expectations for an interest rate reduction in September. Investors should note, however, that monetary easing would come at a time when inflation remains above target and fiscal stimulus from the Trump administration's recent spending package looms large. Those dynamics, combined with concerns about political interference at the Fed and recent changes in leadership at the Bureau of Labor Statistics, could lead investors to demand higher compensation for holding longer-dated Treasuries.

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