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**SCARLET FU, BLOOMBERG:**

We are just over 30 minutes from the Fed decision at the top of the next hour. So we want to bring in Tiffany Wilding. She is the chief US Economist over at PIMCO and Tiffany, great to speak with you. There's almost no doubt that the Fed will hold rates where they are. The question is whether it will be a hawkish hold, a neutral hold, or a dovish hold. Is that leaning determined more by the current economic data or the market's positioning?

**TIFFANY WILDING, PIMCO:**

Yeah, I think that's a great question. I think that if you look at the economic data that we've seen over the intermeeting period since September, what comes out of it is that there has been some incrementally good news on the inflation side, but growth still remains relatively robust and the labor market remains tight. And so I think when you balance these two things against each other, what it would suggest to me, is that you have a committee, maybe that's more convinced, that they might not need to be hiking further, although they want to keep that optionality, but you don't necessarily have a committee that thinks that they should be cutting more imminently. So I think Chair Powell is going to have to try to balance those two issues in his discussion today. Obviously, that's going to be complicated by the fact that when the new summary of economic projections comes out, they aren't going to deliver a hike that was previously put in there. We think ultimately the path will shift down as a result. But even despite that, we're not convinced that the FOMC wants to ease financial conditions dramatically, although they might not want to tighten them dramatically here either.

**FU:**

Got it, got it. The FOMC is seen holding rates on change for now, the third straight meeting. If two straight holds is equivalent to a pause, what does three straight holds signal to the market? Does that mean, end of cycle?

**WILDING:**

You know, well, ultimately, I mean, the Fed's job has been a tricky one throughout this, right? They've wanted to ultimately, you know, signal that they're going to be on hold without the market, sort of pulling forward, the rate cuts as markets do because they're forward looking and without that significantly easing financial conditions. So the communication style that they've used to help that is basically to say that, “yes, we think that we're maybe we're done for now, but we always have the option. You know, obviously, you know, economic data has, the economy's been strong. It's certainly possible, you know, that we could have to hike at some point in the future.” And I think that kind of communication is what I would continue to expect out of Powell. I mean, I think one of the key things that he's told us is that he doesn't want to revisit, you know, the 70s under Arthur Burns, where inflation re-accelerates, and they're probably going to be lagging, you know, in terms of easing as a result of that.

**FU:**

Right. What very well said, especially given what George Wall was telling us earlier as well. Tiffany, what is the biggest underestimated risk for the U.S. economy in your mind? And very quickly here.

**WILDING:**

Yeah. I mean, look, I think that there's definitely a scenario where the U.S. economy just remains strong. And, you know, you get tight labor markets that result in inflation that's maybe hanging above the Fed's target for longer than they would expect. And I think that is still a scenario that the Fed is looking at. And as a result of that, you know, they are going to want to maintain some optionality. Of course, there's scenarios on the other side of that as well. And I think those are the scenarios the markets have been pricing in a little bit more these days. But nevertheless, this is never going to be, you know, kind of a straight shot path. So not expect some volatility in markets.

**FU:**

All right. Tiffany Wilding. Really appreciate your joining us, PIMCO Economist.