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**SARA EISEN, CNBC:**

I want to get some reaction from former Fed Vice Chair and PIMCO Global Economic Advisor Richard Clarida, who joins us. Rich, I haven’t heard much in the way of messaging about rates differently from (Jay) Powell this week. Have you?

**RICH CLARIDA, PIMCO:**

Not really, Sara. I think the goal going into this testimony was really to be very consistent with the Minutes, with his press conference several weeks ago, and with other Fedspeak. So if anything, more news was on the bank regulation side, so not too much news. I think that was the plan.

**EISEN:**

What did you learn on the bank regulation side? It does feel like there is a lot of movement to water down this Basel III Endgame.

**CLARIDA:**

Well, I think the term I wrote down was “broadened material changes to the initial proposal will be discussed”. I think in response to one question, he said the board could actually even scrap the original proposal, so that’s pretty unambiguous language, Sara. It had been an ongoing end that several of the governors were not too pleased with the direction of travel here. So it does look like broadened material changes to the Basel III proposal will be underway.

**EISEN:**

Those that would be positive to banks, ultimately?

**CLARIDA:**

Well, you have to think so. Again, these are complex issues. We’ve been through this now for fifteen plus years, and as they say, the devil is in the details. But I think that’s right.

**EISEN:**

In a way, it’s hard for him to talk about the inflation story because he wants more data confirmation, more evidence. It’s what we heard from (Christine) Lagarde this morning. It’s what we continually hear from Powell. Powell said not necessarily better data yesterday, but more proof, more evidence. What are they afraid of?

**CLARIDA:**

Well, I think since inflation has been well above two percent now for several years that they’re quite afraid of saying or being heard to say mission accomplished and then find that inflation data has U-turned and moved above three percent. I think you are correct, Sara. The language has been that we don’t need to see better data; we just need to see data in line with what we’ve been getting the last six plus months. But I do think that is relevant, which is why I think they were pushing back earlier against the idea they can start cutting in March and cut five or six times this year. I think they’ve been successful at pushing back on that

**CARL QUINTANILLA, CNBC:**

Interesting, Rich. Some of the loudest calls for rate cuts have come from those in the real estate space, and he did comment a moment ago on commercial real estate, saying they are working with the small and medium sized banks that they think may have some issues. Do you have enough capital liquidity? Are you being truthful? Do you have a plan? It doesn’t seem to be feeling like it’s forcing his hand to move any quicker than he’s expected to.

**CLARIDA:**

Carl, I agree with that. I think if you just rewind the tape figuratively to a year ago when we had the SVB and Credit Suisse and First Republic situations, the Fed hiked at that March meeting and then in May and July. So this is a Fed that thinks they can separate monetary policy from financial support and stability. So I think that’s what they’re exhibiting right now.

**EISEN:**

Alright Rich, thank you for the color commentary as we continue to listen to Fed Chair Powell. Rich Clarida, the former Federal Reserve Vice Chair.