

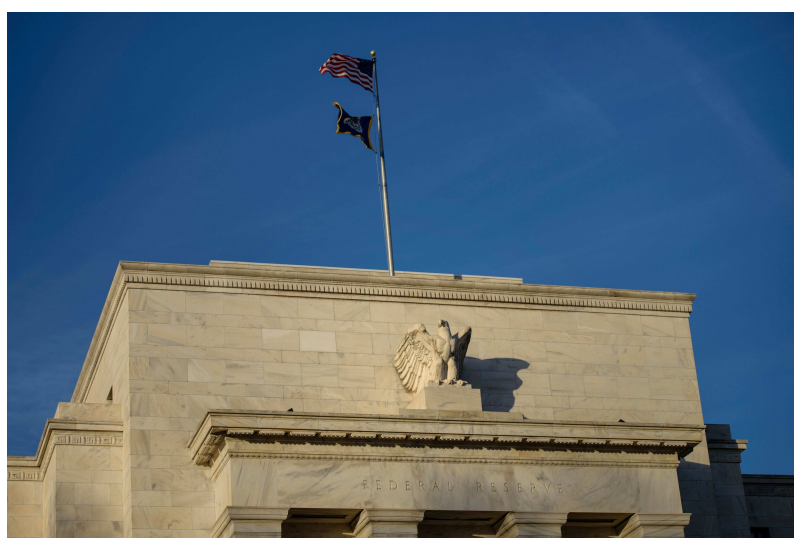
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ECONOMY | CENTRAL BANKS

Fed Minutes Could Offer Hints on Timing of Rate Rises, Balance Sheet Moves

Minutes also could show how central bankers view recent data showing rising inflation



The Federal Reserve building in Washington. On Wednesday, minutes of the central bank's Jan. 31-Feb. 1 monetary policy meeting will be released. *PHOTO: BRENDAN SMIALOWSKI/AGENCE FRANCE-PRESSE/GETTY IMAGES*

By **DAVID HARRISON**

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The Federal Reserve left interest rates unchanged at its Jan. 31-Feb. 1 meeting, issuing a statement that skirted any signals about the timing of future rate increases, the central bank's plans for its portfolio of assets or its take on the Trump administration's fiscal policies. Minutes from that meeting, set for release at 2 p.m. EST Wednesday, could offer details of any internal discussions of these issues and others. Here's what to watch:

A March Signal

Since the meeting, Fed officials have sounded increasingly comfortable about raising rates, perhaps as soon as the next gathering, on March 14-15. Philadelphia Fed President Patrick Harker said a move in March is possible, and Dallas Fed chief Robert Kaplan said rates should rise "sooner rather than later."

Chairwoman Janet Yellen said last week the Fed would consider raising rates “at our upcoming meetings,” a phrase that left open the possibility of a March move without committing to one. The minutes could offer a better sense about policy makers’ readiness to raise rates next month.

Balance Sheet Blues

What to do about the Fed’s roughly \$4.5 trillion portfolio of assets, or balance sheet, has become one of the year’s biggest questions. Some officials have hinted at a willingness to begin shrinking the balance sheet in the near future, but the February meeting statement didn’t address the topic. Speaking before Congress last week, Ms. Yellen said she was unwilling to use the balance sheet as a monetary policy tool, a contrast with some ideas floated by some of her colleagues. The minutes could shed light on the internal debate among officials about the future of the Fed’s portfolio.

Fiscal Policy

The meeting statement made no mention of the economic and monetary consequences of the Trump administration other than a nod to improving consumer and business sentiment readings. Minutes from the Fed’s December meeting indicated officials were split over how to incorporate possible fiscal policy changes into their forecasts. The minutes to be released Wednesday could show whether officials have come to some sort of consensus over how to factor possible tax and spending changes into their monetary policy decision-making.

Is Inflation for Real?

Inflation, measured by the Fed’s preferred personal-consumption expenditures price index, has been rising, moving up by 1.6% on the year in December. But it is unclear how much of that increase reflects a short-lived bump from the uptick in oil prices and how much of it is due to underlying strength in the economy. The minutes could help us understand how Fed officials are interpreting recent inflation numbers.

Lurking Dangers

The economy’s recent strong patch and talk about the Trump administration’s fiscal priorities—such as tax cuts and spending boosts—have bred speculation that the economy could perform better than expected this year. But that doesn’t mean there aren’t threats still abroad. Although the Chinese economy seems more stable than it did this time last year, it still is grappling with a credit boom. And the eurozone could see new waves of volatility as Greece launches another round of debt negotiations. Do Fed officials see any lurking dangers on the international scene? The latest statement didn’t say, but the minutes might.

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