

FOMC Shows the Fed Put is Back, Tom Lee Says

After yesterday's meeting of the Federal Open Markets Committee (FOMC), Fundstrat Head of Research Tom Lee believes the Fed put is back. Appearing on CNBC's *The Exchange* with Kelly Evans, Lee noted that Federal Reserve Chair Jerome Powell probably gave the markets a positive surprise on Wednesday afternoon.

"Recent [Fed] staff papers had argued that tariffs could [have] a multi-year inflationary effect," Lee reminded viewers, and this opinion was evident in the Summary of Economic Projections (SEP) released after the meeting. "In the SEP we saw that 90% of Fed staffers see a downside risk to growth" due to the tariffs, he noted.

In light of this, "I think Fed Chair Powell's comments did catch a lot of folks by surprise," Lee suggested. "But it was a view that I think markets wanted to hear, that the Fed is viewing tariffs as possibly transitory [...] because this puts them in a position to intervene if labor markets start to weaken."

That sparked a question from CNBC's Steve Liesman. He asked whether the potential for economic weakness – lower GDP numbers or evidence of an economic downturn, for example – has already been priced into the stock market, given recent declines.

Lee's response was nuanced. "There's a difference between a speed bump and an unraveling of economic momentum," he noted. In his view, if the downturn signals come in the form of less positive jobs numbers, "stocks have [already] discounted a negative March jobs report" based on what we saw in the February numbers. On the other hand, if rather than a growth scare, we see signs of the economy hitting stall speed, "that's probably not discounted."



In the meantime, Lee urged listeners not to panic about the tariffs. He acknowledged that an “absolute fear [...] has become systematic in markets around April 2 and the tariff deadlines,” but he has seen signs that instead of this deadline being some sort of “annihilation of trade relationships, we may start to see either deals before then or even delays in implementation.”

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