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# Fed Dashes Cold Water on Shock-and-Awe Hike of 75 Basis Points

- Mester backs methodical path; jumbo hike not 'right way to go'
- Hawkish anti-inflation tone from Fed still hammers U.S. stocks

Fed officials are unsure how allowing their balance sheet to shrink will impact the economy and financial markets, though some of it has already been priced. Lavorgna said \$600 billion of runoff is equal to about a half-point hike in the federal funds rate.

They also have high uncertainty on the persistence of inflation, which is running at the fastest pace since the early 1980s. The war in Ukraine and China's coronavirus lockdowns remain unresolved and are likely to add to inflation pressures, though Fed officials aren't sure how much or for how long.