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Paige Wilhelm

*Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling*

Time to taper

With the black swan that is Covid-19 still with us, projections farther off than tomorrow get a jaundiced eye. But there is no getting around that the financial world runs on expectations. At least those being offered by the Federal Reserve are positive.

Chair Jerome Powell's general remarks in an appearance Friday sponsored by South Africa's central bank toed the line heard at the last Federal Open Market Committee meeting. His comments on the timing of tapering asset purchases and tightening interest rates certainly conformed, saying outright, "I do think it's time to taper, and I don't think it's time to raise rates."

Of course, the labor market is key to both of these actions, especially with the Fed's new emphasis on the job market in its calculation of rate policy. But everything depends on definitions. And policymakers have not been forthcoming on what "full employment" means. What levels they expect in terms of nonfarm payrolls, jobless claims, unemployment and underemployment rates, and labor participation remain a trade secret. It will be interesting to see how much attention this gets in the next FOMC statement and if Powell can be persuaded to offer more concrete information.