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Paige Wilhelm
*Senior Vice President
 Senior Portfolio Manager
 Federated Investment Counseling*

Looking for an early holiday gift

We knew fall was going to see a surge in Covid-19 cases, but even as that has come true, the news that vaccines might be closer to approval and distribution provide a welcome counterbalance. When—not if—we get to the other side of the pandemic, we look forward to other counterbalances. Federal Reserve rate action is too far to think about now, but inflation could rise sooner than some expect. That may advance the Fed’s timeline for hikes. For now, inflation remains low. The consumer price index didn’t budge in October and the similar gauge for producers also can’t gain steam.

The Fed cares more about the personal consumption expenditures index, but it also lies below numbers that might lead to a raise in rates. All of this points to a need for more federal government stimulus. A new package likely would lead to more consumer spending, support the commercial paper market and put upward pressure on Treasury securities. It is possible it will come in the lame duck period before President-elect Biden takes office. That would be a nice Christmas present, one we would all open early.