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Janet Yellen returns

When the Federal Reserve calls on U.S. lawmakers and the White House to provide fiscal stimulus to work in tandem with monetary policy, it usually is hard sledding. But the Fed got an advocate in one of the two branches when President-Elect Biden named Janet Yellen to be Treasury Secretary when he takes office. Yellen, of course, headed the Fed from 2014, before President Trump pushed her aside in favor of Jerome Powell. Although she oversaw several rate hikes in her tenure, Yellen still is considered a dove. It remains to be seen when we will get another federal stimulus package—and negotiations within Congress might get testy—but the odds just went up.

Certainly, the need for fiscal support has not dwindled, as countless Americans remain out of work. While continuing unemployment claims have declined, more than 6 million people are collecting unemployment. The liquidity markets and investors also stand to benefit from a new stimulus package because the Treasury would have to issue new bills (in addition to notes and bonds) to fund it, potentially raising yields on the short end.