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Weekly Commentary

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Different venue, same message

It is hard to imagine why the broad markets were surprised last week when Federal Reserve Chair Jerome Powell said—for the umpteenth time—that the Fed won't change monetary policy anytime soon. Speaking at a Wall Street Journal forum, Powell repeated what he said just a week earlier on Capitol Hill that the Fed wants to see a robust recovery in the labor market before initiating any rate hikes or tapping the brakes on quantitative easing. Even if the rollout of the coronavirus vaccine pushes the economic recovery at a fast pace, "it will take substantial time," to get there, he said.

But the reiteration didn't stop equities from falling and U.S. Treasury yields from rising, as if investors hadn't heard the message before.

As longer-term bond market rates have moved up in recent weeks, Powell was asked if a continuation of this trend could change the Fed's calculus. Powell essentially brushed that off, too: "We monitor a broad range of financial conditions, and we think that we're a long way from our goals." We will have to see if his frustration at having to repeat that position many times will grow enough for him to snap at a reporter. But even that wouldn't be a surprise.

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