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Fed speaks softly, keeps its big stick at bay

What the Federal Reserve didn't say was more significant than what it did last week. Its latest Federal Open Market Committee (FOMC) meeting, policymakers didn't change the big stuff, namely raise the fed funds rate or change its asset purchase program. If they had, the markets would still be roiled and volatile because the expectation for any action did not so much as exist. The Fed is so careful at communicating its positions (called forward guidance), that even the suggestion that policy action is on the horizon spooks investors of all stripes.

The probability for a change on a smaller level was higher. That was for the FOMC to raise its rates on the reverse repo facility and the interest on excess reserves. That didn't happen but could in the future. This week, Fed Chair Powell will speak at a BIS conference and on Capitol Hill, the latter with former Fed Chair Janet Yellen, who is now the Treasury Secretary.