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Weekly Commentary

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Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

Former Fed chiefs weigh in

Ben Bernanke and Janet Yellen have hardly been quiet since they left their positions as heads of the Federal Reserve. Whether in media, articles or, recently, as part of a group of 150 economists who wrote a letter to Congress, the two have remained public figures. It has been some time since they testified before lawmakers, however. Appearing twice a year to committees in both the House and the Senate was part of the job back then; Friday marked the first required appearances for each since they left their posts.

Given Yellen and Bernanke's support for Jerome Powell, the current Fed chair, it is no surprise they praised the Fed's actions so far in the crisis or that they echoed his call for Congress to provide more fiscal support to the economy. The overarching message for lawmakers was do not worry about the deficit at this time—the economy needs assistance now.

One thing is certain, the Fed is not worried about its own balance sheet. This week it revealed that figure now stands at more than $7 trillion. Interestingly, the special purpose vehicles it created in the height of the crisis in March are hardly being used now. These include the Primary Dealer Credit Facility and the Money Market Liquidity Facility. This is a good sign, as it means the liquidity markets are functioning well on their own. But the greater economy probably will require Congress's assistance to do the same.

This week saw little change in the short end of the London interbank offered rate (LIBOR), with 1- and 3-month remaining at 0.18% and 0.27%, and 6-month slipping 2 basis points to 0.33%.

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