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Seven seats

The markets were surprised this week when the Senate Banking Committee approved the nomination of Judy Shelton and Christopher Waller to Federal Reserve board of governors. If both are confirmed by Senate, the board would be full (seven governors) for the first time in several years. Waller, head of economic research at the St. Louis Fed, was always expected to make it through the committee, and is viewed as a dove. Shelton is another story. As an adviser to President Trump, many are concerned she would ape his opinions, including his public support for low or even negative rates. Also, the preponderance of economists and policy makers, consider her call for a return to the gold standard—tying the worth of the dollar to the price of gold—to be essentially untenable in monetary and financial systems.

It would seem that if a vote comes to the floor, Senators would confirm both. Someone would have to change party line to prevent it. While they could make a difference in policy down the road, their addition won't likely have much impact now as the Fed will be at zero for some time—at least until we get a vaccine. The latest Federal Open Market Committee meeting happening next week likely will be the latest signal that rate hikes are a long way off.

The London interbank offered rate (LIBOR) slipped slightly this week, with the 1-, 3- and 6-month parts of the curve decreasing 1, 2 and 1 basis points to 0.17% and 0.25%, and 0.32%, respectively.