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Weekly Commentary

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Nuance

The Federal Reserve didn't set off any fireworks last week at its Federal Open Market Committee meeting. The shifts were subtle and demanded reading between the lines. But the overall tone was slightly hawkish, in Chair Jerome Powell's press conference, the Summary of Economic Progressions and the "dot plot."

While caveats seem part and parcel of anything the Fed says, the predication that the next few labor reports must show continued improvement before any reduction of its bond buying didn't sound like much of an impediment. Powell said that, the "test" of the labor market's rebound from the recession has "all but [been] met."

If tapering the $120 billion monthly asset purchases is announced at the November FOMC meeting, the clock on when the committee (whoever is on it at the time) votes to raise the federal funds rate will presumably also start. The member's opinions, imperfectly captured in the dot plot, show that half expect the first quarter-point hike (still a range, not an actual rate) to come in late 2022. That more hikes are projected in 2023 is not as important as getting that first one. Anyone who remembers the many false starts before liftoff in the Janet Yellen years painfully remembers this.

Views are as September 27, 2021 and are subject to change based on market conditions and other factors.