
FED WATCH: WHEN DOVES CRY

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Ok, after reading the July [FOMC](#) policy statement and then listening to Chairman Powell's follow-up presser, I came to one conclusion: Powell wants it both ways.

Here's what I mean:

- The July FOMC policy statement read a bit more [hawkish](#) than one might have expected. It acknowledged that, "with progress on vaccinations and strong policy support, indicators of economic activity and employment have continued to strengthen"—while also stating that "the path of the economy continues to depend on the course of the virus."
- Number 1: There is no mention of the delta variant!
- Number 2: The [Fed](#) acknowledged that, in terms of reaching their economic and price stability goals, the economy has made progress.
- That is Fed speak for "the [tapering](#) discussion has begun in a more earnest fashion," a point Powell reiterated in his presser.
- At that presser, Powell did mention 1) delta as a potential economic impact BUT then went on to say, he's "seen fewer economic implications from each virus wave," 2) the FOMC discussed "considerations on bond buying" BUT "we're some ways away from progress on jobs" and "clearly a ways away from raising interest rates," 3) he still sees [inflation](#) as transitory BUT it's "possible inflation will be higher and more persistent than expected."

Got all that? That's what I meant in my opening statement.

BOTTOM LINE: The Fed is on target to announce a more formal tapering announcement perhaps at their September 22 meeting, and the markets will be watching Powell's expected Jackson Hole appearance (August 26–28) for any clues as to what may be coming. Also, at the September FOMC meeting, the Fed's updated [blue dots](#) (Fed Funds estimates) are due...I'll be watching very closely to see if the current 2023 rate hike 'lift off' is adjusted toward 2022.

In the meantime, most analysis that I've seen shows the [U.S. 10-Year Treasury yield](#) is still below fair value, with a reading between 1.50% and 1.60% appearing to reflect a better equilibrium level.

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DEFINITIONS

Federal Open Market Committee (FOMC) : The branch of the Federal Reserve Board that determines the direction of monetary policy.

Hawkish : Description used when worries about inflation are the primary concerns in setting monetary policy decisions.

Federal Reserve : The Federal Reserve System is the central banking system of the United States.

Tapering : A shift in monetary policy by which the Federal Reserve would begin decreasing the amount of bonds it purchases.

Inflation : Characterized by rising price levels.

Blue dots : the midpoint target range/level of the FOMC participants' projections for the future Federal Funds Rate.

10-Year Treasury : a debt obligation of the U.S. government with an original maturity of ten years.