

Market Yawns as Fed Treads Familiar Path

Fed officials concluded their two day FOMC meeting this afternoon, with no change in the overnight funds target or the amount of monthly asset purchases. *No surprise here.* Committee members made several minor changes to the single-page official statement, acknowledging progress on vaccines, improvement in the service sector, and a rise in inflation (albeit “transitory”).

In the press conference that followed the meeting, Fed Chair Powell offered no new revelations, sticking to well-worn scripts and answering questions with time-tested words. Powell’s primary goal remains reaching full employment, although the press was fixated on inflationary concerns.

- The labor market has a long way to go before we’re back to pre-pandemic levels.
- A transitory rise in inflation above 2% is *expected*.
- It’s not time yet to begin talking about tapering...but tapering will be telegraphed well in advance.
- Substantial further progress toward our goals is needed before tapering begins.
- The March jobs report was great, but we’ll need to see more actual data.

It’s back to wait-and-see mode. Sure, one month of great job gains doesn’t make a trend, early signs of inflation can be pinned on the base effect, further progress on labor and inflation goals is needed, and the virus hasn’t yet been beaten into submission. Today’s statements change nothing; it’s always been about the second half of the year, and that outlook has gained considerable momentum over the last month. If the next few labor reports turn the blowout March payroll gain into a trend, the Fed’s story changes. The story always changes.

All three major stock indexes staged a small rally after seeing no change in the official statement, and rallied further after Powell strongly reiterated that it was not yet time to start talking about tapering. As the press conference wore on, with nothing new being said, gains slipped.

The bond market traded in a narrow range much of the day, but post-meeting prices are slightly higher (yields slightly lower) across the curve as investors recognize the Fed is in no hurry to change its policy stance.

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Market Indications as of 3:32 P.M. Central Time

DOW	Down 165 to 33,820 (HIGH: 34,201)
NASDAQ	Down 39 to 14,051 (HIGH: 14,139)
S&P 500	Down 4 to 4,183 (HIGH: 4,188)
1-Yr T-bill	current yield 0.05%; opening yield 0.05%
2-Yr T-note	current yield 0.17%; opening yield 0.18%
5-Yr T-note	current yield 0.85%; opening yield 0.88%
10-Yr T-note	current yield 1.61%; opening yield 1.62%
30-Yr T-bond	current yield 2.29%; opening yield 2.29%

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