Powell's Congressional Testimony Is Mostly a Yawner

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Fed Chairman Powell's prepared remarks to the House Financial Services Committee this morning were brief and revealed nothing new. The financial markets interpreted the text as positive, continuing an early rally in both stocks and bonds.

Powell acknowledged it would likely be appropriate for the committee to begin cutting rates "at some point this year," although not before policymakers gain greater confidence that inflation is moving sustainably toward the Fed's +2.0% goal. The Chairman cautioned against easing prematurely and having to reverse course later. *All of this has been said before.*

Investors were listening for monetary policy clues, but members of Congress chose instead to pepper the Chairman on immigration, diversity and inclusion, frozen Russian assets, digital currency, commercial real estate, climate change, Basel III regulations, the likelihood of a soft-landing and artificial intelligence. Powell was patient and measured, but appeared exhausted after three hours of questioning.

The surprisingly few questions that did focus on Fed policy argued that interest rates were too high. Powell reminded House members that the committee had not yet met its inflation goal and that future actions would be data dependent. Members of Congress don't seem to comprehend the relationship between restrictive rate policy and inflation, particularly as it applies to housing.

One noteworthy comment from Powell was that "the pandemic is writing the economic story, and we should prepare to be surprised by the next chapter." This was a clever way of reiterating that the pandemic has made economic forecasts difficult and Fed policy challenging, and the path to normal is not expected to be straight.

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Scheduled data releases over the next six trading days are *significant*. The February employment is due out Friday, CPI next Tuesday followed by PPI and retail sales two days later. Fed officials will begin their 10-day quiet period this weekend as the March 20 FOMC meeting approaches.

Market Indications as of 12:57 P.M. Central Time

DOW	Up 130 to 38,715 (HIGH: 39,312)
NASDAQ	Up 138 to 16,076 (HIGH: 16,275)
S&P 500	Up 43 to 5,122 (HIGH: 5,137)
1-Yr T-bill	current yield 4.94%; opening yield 4.93%
2-Yr T-note	current yield 4.53%; opening yield 4.55%
3-Yr T-note	current yield 4.30%; opening yield 4.33%
5-Yr T-note	current yield 4.10%; opening yield 4.14%
10-Yr T-note	current yield 4.10%; opening yield 4.15%
30-Yr T-bond	current yield 4.24%; opening yield 4.30%