

Economic highlights from the week ending on August 27, 2021

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Fed Chair Jerome Powell delivered his speech at the Jackson Hole economic symposium this morning. The tone and message of his speech was consistent with our expectations. In our view, the overall bias of his presentation was slightly dovish. He noted that the current unemployment rate remains too high and understates the underlying weakness in the labor market, as labor force participation remains lower than pre-pandemic levels. Although inflation is currently elevated, he



continues to believe that at least some of the factors driving higher inflation will be transitory and cautioned that tightening monetary policy too soon could be detrimental to the labor market recovery. The Fed remains focused on its dual mandate of stable prices and full employment, but Chair Powell reiterated that the conditions needed to justify an increase in the fed funds rate would be more rigorous than the conditions needed to start tapering asset purchases. Rate hikes are not imminent. However, should the economy continue to make progress toward the Fed's goals over the near-term, Fed Chair Powell indicated that a tapering of asset purchases could start later this year. We believe the Federal Open Market Committee (FOMC) will be following economic and virus-related data closely over the next few months before finalizing any decisions about the appropriate timing and speed of a taper. Notably, Chair Powell did not mention fiscal policy or geopolitical risk in his speech, but we believe those factors may influence the timing of monetary policy changes as well. We expect the bias of the Federal Reserve to remain dovish and highly accommodative over the near-term until there is more clarity on the outlook for employment and inflation.



Next Week

Pending Home Sales, Case-Shiller Home Price Index, FHFA House Price Index, Consumer Confidence, ISM Manufacturing, Construction Spending, Factory Orders, ISM Services, Employment



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