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Weekly Commentary

DECEMBER 6, 2021

Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

A faster Fed

The assessment of the jobs report always is in the eye of the beholder. While the addition of 210,000 jobs in November was below consensus for 500,000, consensus ultimately is an opinion. Economists base it on data, but their interpretation is subjective. We see the growth as in line with the prevailing trend of an improving economy. The delta Covid strain may have slowed it down, and the omicron variant might do so, too. But it is healing.

But the only opinion that really matters for the money markets is what the Federal Reserve policymakers think of the labor market, and it appears they think it is doing well enough to justify rolling back accommodation. This last week saw Chair Powell and other officials say they may increase the pace of the reduction in the Fed's monthly asset purchases. These comments were made before the latest jobs data, of course, but the labor market has cooled off lately, so the conditions are similar. The test will come when they gather at the Federal Open Market Committee meeting in mid-December. If they do taper faster—meaning that the Fed buys fewer Treasuries and agency mortgage-backed securities on the open market—the first interest-rate hike might arrive sooner.

G40461-19 (12/21)