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Weekly Commentary

APRIL 18, 2022

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A single mandate?

From dismissing inflation to sprinting after it, the Federal Reserve's focus on prices has become singular. With the labor market acting more like a constant than a variable in the equation, it seems the Fed has ditched its dual mandate for the present. Policymakers can't do that legally, of course, as it is directive from Congress. But it might as well be the case.

On the heels of last week's print of the Consumer Price Index for March at 8.5% annualized in March, Fed Governor Lael Brainard again said that the Fed is determined to tamp down inflation. She is an authority in the Fed in her own right as the nominee for vice chair, but also has been the voice of the central bank as Chair Jerome Powell has not been scheduled to speak recently. Most, if not all, policymakers likely share fer confidence the Fed will succeed.

One bit of good news in the report is that core CPI, which strips out volatile food and energy prices, increased less than expected. Its bump of 0.3% in March is the lowest amount since September. As the war in Ukraine is a major contributor to both of these inputs, the modest gain may be a sign that inflation might level off in the near future. But we also got the news last week that the Producer Price Index surged 1.4% in March to an annualized rate of 11.2%, so price pressures aren't going anywhere soon. The tough task for the Fed is to ascertain just how hard to hit inflation. The next blow likely will be a half-percentage-point hike at the May Federal Open Market Committee meeting.