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Fed thinking digitally

The Federal Reserve's quiet period ahead of its policy meeting on Tuesday and Wednesday allowed it to focus on other projects. One is the digital dollar. The Fed is leagues away from deciding to establish one, but even officially raising the subject is news. In a paper released Thursday, it announced it is studying the creation of a central bank digital currency (CBDC) and weighing the benefits of speedier payments against the risk to financial stability.

Most think the Federal Open Market Committee meeting this week won't result in a change in the fed funds rate, but eyes will be peeled and ears pricked for new projections for hikes, inflation and employment and for intel from Chair Jerome Powell's press conference. One question is how policymakers view the resurgence of Covid, particularly its impact on the labor market, which saw increased initial jobless claims in the week ending Jan. 14. It might be related to the end to seasonal jobs in retail and transportation, but the omicron variant is clouding everything. It also is continuing to create supply chain bottlenecks that likely will keep inflation elevated, and presumably keep the Fed policy normalization plan on track, if not accelerate it.