

FEBRUARY 7, 2022



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Fed dual mandate met

If you doubted the Federal Reserve will raise the fed funds rate in March, the jobs report for January should remove all of it. It was a bit of a shocker. Most prognosticators predicted a low figure or even a loss of jobs, but the Bureau of Labor Statistics (BLS) reported that 467,000 jobs were added in January. The surprise came on the back of a major revision of the head count for November and December. The BLS said it underestimated the additions in both months by a combined 709,000 jobs.

Suddenly, after inflation dominating the conversation for months, the other Fed mandate is flashing the green light for a rate hike. The argument could be made that the U.S. still is not at full employment, but it is not clear how that should be defined, post-pandemic. With numerous other reports and surveys indicating business are having trouble finding new employees, the labor market is tight enough to almost demand Fed action. In fact, the debate has moved from when a hike will happen—at the March Federal Open Market Committee meeting—to whether the target range will rise 25 or 50 basis points. There's plenty of time yet to see how that plays out, but with the omicron variant receding, policymakers have received their marching orders.