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Not so elementary

At the Federal Reserve's key policy-setting meeting this week, Chair Jerome Powell might as well don a houndstooth hat and take a magnifying glass. He and his collective Dr. Watsons must make sense of a complicated world that Sherlock Holmes would be hard pressed to fathom.

The decisions they will make this week were difficult enough before the Russian invasion of Ukraine. Supply chains have been askew as consumer and producer demand surged during the robust economic recovery of 2021. Then the Covid omicron variant scuttled that progress and reintroduced logjams. The labor market remains hard to gauge, with slack remaining even as unemployment figures drop to low levels. These developments have spurred inflation to multi-decade highs. While the war in Ukraine has pushed energy prices higher, the core Consumer Price Index, which removes that factor, is rising all the same.

It all makes for a hard case to crack. The markets seem to trust that the Federal Open Market Committee will agree to Powell's recommendation for a 25 basis-point liftoff of the fed funds target range. But will the Summary of Economic Projections and expectations for future hikes be part of a grand reveal investors and pundits are not ready for? Either way, it is not elementary.