

Powell's Statement Offers Little Beyond Familiar Phrases

Going into the virtual Jackson Hole economic symposium, expectations had emerged that clear direction on a taper timeline would be revealed. In his prepared speech this morning, Fed Chairman Jay Powell squashed this notion, trotting out an assortment of tried-and-true phrases that ultimately amounted to nothing at all. Chairman Powell seemingly managed to counterbalance every positive with a lingering risk, describing the recovery as "vigorous but uneven," and employment gains as "faster than expected," while unemployment remains "much too high."

Powell said inflation as "a cause for concern," but indicated (again) that elevated prices will likely prove temporary. To hammer his point home, he indicated "an absence (so far) of broad-based inflation pressures" and "little evidence of wage increases that might threaten excessive inflation."

In his conclusion, the Chairman admitted *the substantial further progress test* had been met on price stability while clear progress toward maximum employment has also been made. He then skipped back to the July FOMC meeting, reminding us that he had been of the view that "if the economy evolved broadly as anticipated, it could become appropriate to start reducing the pace of asset purchases this year." However, he failed to connect the dots, pivoting with, "The intervening month has brought more progress in the form of a strong employment report for July, but also the further spread of the Delta variant." He summarized the still vague taper plan with the inconclusive statement, "We will be carefully assessing incoming data and the evolving risks." Nothing new here.

Powell was careful to distinguish between tapering of asset purchases and increasing the overnight funds rate, which he says will be subject to "a different and more stringent test." Powell reiterated that the committee will continue to hold the overnight target rate "at its current level until the economy reaches conditions consistent with maximum employment, and inflation has reached 2% and is on track to moderately exceed 2% for some time." He concluded by saying there is much ground to cover on both of these goals. This suggests the Fed's June dot plot indicating no rate hike before mid-2023 hasn't changed.

Both stocks and bonds have rallied as Powell gave no indication that accommodative policy would shift early.

At the time of this writing, Powell had not yet participated in the Q&A.

Scott McIntyre, CFA
HilltopSecurities Asset Management
Senior Portfolio Manager
Managing Director
512.481.2009
scott.mcintyre@hilltopsecurities.com

Greg Warner, CTP
HilltopSecurities Asset Management
Senior Portfolio Manager
Director
512.481.2012
greg.warner@hilltopsecurities.com

In his prepared speech this morning, Fed Chairman Jay Powell squashed this notion, trotting out an assortment of tried-and-true phrases that ultimately amounted to nothing at all.

He summarized the still vague taper plan with the inconclusive statement, "We will be carefully assessing incoming data and the evolving risks." Nothing new here.

Market Indications as of 11:25 A.M. Central Time

| | |
|--------------|--|
| DOW | Up 219 to 35,432 (HIGH: 35,625) |
| NASDAQ | Up 162 to 15,108 (NEW HIGH) |
| S&P 500 | Up 35 to 4,505 (NEW HIGH) |
| 1-Yr T-bill | current yield 0.06%; opening yield 0.06% |
| 2-Yr T-note | current yield 0.22%; opening yield 0.24% |
| 3-Yr T-note | current yield 0.42%; opening yield 0.46% |
| 5-Yr T-note | current yield 0.80%; opening yield 0.84% |
| 10-Yr T-note | current yield 1.32%; opening yield 1.34% |
| 30-Yr T-bond | current yield 1.93%; opening yield 1.94% |

The paper/commentary was prepared by Hilltop Securities Asset Management (HSAM). It is intended for informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of HTS and/or HSAM as of the date of the document and may differ from the views of other divisions/departments of affiliates Hilltop Securities Inc. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance. Sources available upon request.

Hilltop Securities Asset Management is an SEC-registered investment advisor. Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS and HSAM are wholly owned subsidiaries of Hilltop Holdings, Inc. (NYSE: HTH) located at 717 N. Harwood St., Suite 3400, Dallas, Texas 75201, (214) 859-1800, 833-4HILLTOP.