



Not Much to Miss

November 6, 2020

by Brian Wesbury, Robert Stein

of First Trust Advisors

If you hadn't known that there was a Federal Reserve statement coming out today, you wouldn't have missed much. As if 2020 wasn't weird enough, there was a Federal Reserve meeting, and a new statement from the FOMC today, and virtually no one noticed. We guess that makes sense given everything that is going on. But, don't fret - nothing changed.

While the elections delayed the timing of this week's Federal Reserve meetings, that's about as far as the election impacts went. If Biden wins, the Fed will be keeping rates at zero for the foreseeable future. If Trump wins, the Fed will be keeping rates at zero for the foreseeable future. COVID-19, not politics, has the Fed in full-on accommodation mode, as the significant uptick in unemployment back in March and April will take years to get back to the Fed's longer-term target of around 4%. In other words sit back, relax, and don't expect much new out of the Fed until the economy further improves by a significant amount.

Questions during Chair Powell's press conference focused on the outlook for further stimulus from both the Fed and Congress. As per usual, Powell reiterated his belief that the current stance of monetary policy is appropriately accommodative, but the Fed has more tools at its disposal should they be needed in the future. He did emphasize that the Fed is a lender, not a spender. The latter role falls to Congress, and the Fed has no plan (or desire) to reach beyond its mandate in an attempt to stimulate the recovery. We may see further stimulus spending out of Washington before year-end, but the highly likely holding of the Senate by the Republicans reduces the chance of a blowout package that also subsidizes the states. We do wonder if this could lead the Fed to lend more to states that face financial problems. We will see.

The recovery is underway, and while uncertainty remains about COVID-19 as well as the results of the election, one thing that looks certain is that the Fed will keep the monetary policy pedal to the metal through the remainder of this year and far beyond.

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.