

Economic highlights from the week ending on September 11, 2020

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Congress remains at an impasse over additional fiscal relief and hopes of getting a deal done before the Presidential election are starting to dim. While market participants remain focused on the course of the pandemic and expectations for a COVID-19 vaccine (at least for emergency use) before year-end are high, we believe the absence of additional fiscal relief in the near-term and the potential for chaos regarding election results, may fuel financial market volatility over the next few months.



While economic data remains consistent with a U-shaped recovery, we believe a meaningful recovery in job growth is unlikely until there is a readily available vaccine. With more than 29 million Americans seeking some form of unemployment benefits, the outlook for consumer confidence and the fourth quarter holiday shopping season looks tenuous in the absence of more stimulus. However, we expect the Federal Reserve to remain dovish and believe policymakers will continue to use all of the tools at their disposal to help support the financial markets as needed. We anticipate the Fed may become more active buyers in the credit markets if volatility escalates, which may happen if we see a resurgence of the virus this fall or negative headlines regarding the timetable for a vaccine.

Although the Fed has recently shifted its monetary policy framework with regard to inflation (i.e. targeting average inflation of 2.0% over time, rather than a static 2.0% inflation rate), the fundamentals of the Fed's dual mandate have not changed. The Fed remains charged with maximizing employment and maintaining a stable price environment. In the absence of elevated inflation, we believe the Fed will keep the target fed funds rate anchored near zero for an extended period of time. Today's Consumer Price Index (CPI) report indicates that pricing pressures continue to increase but remain well below pre-pandemic levels, allowing the Fed to remain highly accommodative.



Next Week

Empire State Manufacturing, Industrial Production, Retail Sales, Housing Market Index, FOMC Announcement, Housing Starts, Philly Fed, Consumer Sentiment, Leading Indicators

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