

Taxable Money Market Commentary

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- The Labor Department's disappointing report on August payrolls highlighted the continuing challenges brought on by the pandemic. Nonfarm payrolls grew by a much smaller than expected 235,000 as the Delta variant spread around the country, the world, and slowed what had been a robust recovery. However, there are still reasons for optimism. The unemployment rate fell from 5.4% in July to 5.2% in August and job openings are plentiful.
- The hope is that continued increases in vaccinations leads to many fewer severe cases of illness and, in turn, will allow for a return to a stronger economic trajectory. The reopening of schools, expiration of many pandemic related jobless benefits and a gradual return to offices will also aid in that process.
- While the employment number was undoubtably disappointing to the Federal Reserve (Fed) it remains highly likely that the Fed will lay out its plans for tapering its current bond purchase program at either its September or November Federal Open Market Committee meetings. Chair Powell indicated this probability at his Jackson Hole speech and numerous Fed officials have continued that dialogue, even after having seen the employment report.
- Washington will take center stage this fall with a full agenda of issues to be resolved. The debt ceiling will have to be dealt with, probably before Halloween. This perennial self-inflicted issue has the potential to wreak havoc. However, cooler heads have always prevailed and it is hoped that this will be the case once again. The infrastructure bill as well as the social spending bill being crafted by the House leadership will also take time to resolve as well as a bill to keep the government running past the September 30th end of the fiscal year.
- There are clearly many variables that could cause the recovery to derail and force the Fed to continue their current stimulus program. However, the most likely course seems to be a return to stronger job growth in the fall allowing the Fed to wind down their current program with an eye toward an eventual rise in interest rates.

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