

The views expressed in these posts are those of the authors and are current only through the date stated. These views are subject to change at any time based upon market or other conditions, and Eaton Vance disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions for Eaton Vance are based on many factors, may not be relied upon as an indication of trading intent on behalf of any Eaton Vance fund. The discussion herein is general in nature and is provided for informational purposes only. There is no guarantee as to its accuracy or completeness.

Markets and Economy

Fed threads the needle with upbeat economic message and dovish stance

By: Eric Stein, CFA | April 29, 2021

Boston - In some key respects, the April 28 meeting of the U.S. Federal Reserve might be considered "perfect." Fed Chair Jay Powell and members of the Federal Open Market Committee (FOMC) succeeded in threading the needle by sounding more upbeat about the economy than at the last meeting in March, while also continuing their very dovish messaging about monetary policy — such a "steady as she goes" announcement.

As with the March 17 meeting, policymakers made no change to the current fed funds target range of 0% to 0.25%. There have been some questions about when the FOMC would begin "tapering" purchases of Treasuries and mortgage-backed securities — currently pegged at \$80 billion and \$40 billion a month, respectively. But the Fed strongly pushed back against the notion of tapering asset purchases, indicating it would be some time before that started, and there would be plenty of warning for the market.

The Fed's growth message was positive: "Amid progress on vaccinations and strong policy support, indicators of economic activity and employment have strengthened. The sectors most adversely affected by the pandemic remain weak but have shown improvement. Inflation has risen, largely reflecting transitory factors." But FOMC members also cautioned that "risks to the economic outlook remain" should progress on the virus and vaccinations slow down.

The Fed also reiterated a commitment to its policy of *average inflation targeting* (AIT). Under this policy, the Fed said it would permit inflation to rise above its 2% target for "some time," given that inflation has been running "persistently below" the long-run 2% goal.

Bottom line: I believe the recent economic growth will continue and that the Fed has successfully conveyed its dovish signaling to the markets throughout April, as reinforced by the April 28 meeting. We have seen yields back down recently, including a couple of basis points in the 10-year U.S. Treasury on April 28, and weakening of the U.S. dollar — price actions that are consistent with the markets taking the Fed at its word, at least for now.



Eric Stein, CFA
Chief Investment Officer
Fixed Income
Eaton Vance Management

"The Fed strongly pushed back against the notion of tapering asset purchases, indicating it would be some time before that started, and there would be plenty of warning for the market."



Eaton Vance is part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley

This site (www.eatonvance.co.uk) is operated by Eaton Vance Management (International) Limited ("We"). We are a limited company, registered in England and Wales under company number 4228294 and have our registered office at 125 Old Broad Street, London, EC2N 1AR. Our VAT number is 762717416.

Eaton Vance Management (International) Limited is authorised and regulated by the Financial Conduct Authority ("FCA") and is entered on the FCA's register with register number 208634.

The value of your investment can go up or down so you may get back less than your initial investment. Past performance is not a guide to future returns.

The information on this webpage is not intended for U.S. residents. To visit our U.S. website please click [here](#).

Eaton Vance Management (Registration No. 1121368) and Parametric Portfolio Associates (Registration No. 1217626) are the registered trade marks of Eaton Vance.