

---

# FED WATCH: WHEN DOVES CRY

Kevin Flanagan – Head of Fixed Income Strategy  
07/30/2021

Ok, after reading the July [FOMC](#) policy statement and then listening to Chairman Powell's follow-up presser, I came to one conclusion: Powell wants it both ways.

Here's what I mean:

- The July FOMC policy statement read a bit more [hawkish](#) than one might have expected. It acknowledged that, "with progress on vaccinations and strong policy support, indicators of economic activity and employment have continued to strengthen"—while also stating that "the path of the economy continues to depend on the course of the virus."
- Number 1: There is no mention of the delta variant!
- Number 2: The [Fed](#) acknowledged that, in terms of reaching their economic and price stability goals, the economy has made progress.
- That is Fed speak for "the [tapering](#) discussion has begun in a more earnest fashion," a point Powell reiterated in his presser.
- At that presser, Powell did mention 1) delta as a potential economic impact BUT then went on to say, he's "seen fewer economic implications from each virus wave," 2) the FOMC discussed "considerations on bond buying" BUT "we're some ways away from progress on jobs" and "clearly a ways away from raising interest rates," 3) he still sees [inflation](#) as transitory BUT it's "possible inflation will be higher and more persistent than expected."

Got all that? That's what I meant in my opening statement.

BOTTOM LINE: The Fed is on target to announce a more formal tapering announcement perhaps at their September 22 meeting, and the markets will be watching Powell's expected Jackson Hole appearance (August 26–28) for any clues as to what may be coming. Also, at the September FOMC meeting, the Fed's updated [blue dots](#) (Fed Funds estimates) are due...I'll be watching very closely to see if the current 2023 rate hike 'lift off' is adjusted toward 2022.

In the meantime, most analysis that I've seen shows the [U.S. 10-Year Treasury yield](#) is still below fair value, with a reading between 1.50% and 1.60% appearing to reflect a better equilibrium level.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

**IMPORTANT INFORMATION**

**U.S. investors only:** Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages ([www.msci.com](http://www.msci.com))

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.  
You cannot invest directly in an index.

DEFINITIONS

Federal Open Market Committee (FOMC): The branch of the Federal Reserve Board that determines the direction of monetary policy.

Hawkish: Description used when worries about inflation are the primary concerns in setting monetary policy decisions.

Federal Reserve: The Federal Reserve System is the central banking system of the United States.

Tapering: A shift in monetary policy by which the Federal Reserve would begin decreasing the amount of bonds it purchases.

Inflation: Characterized by rising price levels.

Blue dots: the midpoint target range/level of the FOMC participants' projections for the future Federal Funds Rate.

10- Year Treasury: a debt obligation of the U.S. government with an original maturity of ten years.