Money Talks by Dave Helscher

September 2021

The upcoming changing of seasons often prompts a flurry of activity, such as; getting the kids back to or off to school, gathering the last of the garden's harvest, deciding on what plants to save over the winter, the fall harvest, checking furnaces and carbon monoxide detectors. Maybe it's a good time to check on economic trends year-to-date and upcoming financial events.

We can start with the labor markets. After a blistering pace of the economy producing 943,000 new jobs in July and a revised June total of 938,000 jobs, we were disappointed with the 235,000 jobs figure for August. August is a notoriously quirky month for these figures, with back-to-school trends and seasonal factory re-tooling. The unemployment rate did dip to 5.2% but this rate is determined by the use of a different survey, the household survey, which indicated jobs growth of 509,000 for August, down from over 1 million in July. Reasons cited for the less than expected numbers was the surge in the delta variant and the federal unemployment bonus in place throughout August. The last of the bonus was scheduled to end on September 6 and its effect may be reflected in September numbers.

The Job Openings and Labor Turnover Survey (JOLTS) released in early September showed that there were 10.7 million job openings, up from the previous month's 10.1 million. Initial weekly jobless benefit claims continued to decline, 310,000 was a recent number (released September 9) and a pandemic low, but still above pre-pandemic levels. Claims may further decline with the end of the federal unemployment bonus in early September.

The Federal Reserve's Open Market Committee (FOMC) did not meet in August. In published comments to the Jackson Hole Economic Policy Symposium, Fed Chair Jerome Powell reiterated that the current spike in inflation is largely the result of transitory factors and the FOMC will continue to hold the current target range for the federal funds rate at its current level (0% - .25%). Of note to market participants, Powell also noted that an eventual reduction of monthly asset purchases is likely to begin sometime before the end of 2021. Initial reactions included the possibility that Fed could begin tapering its $120 billion monthly bond purchases as soon as later this month, after the next meeting of the FOMC. Market opinions shifted when August's job numbers were released and forecasts for Fed tapering were shifted to after November's FOMC meeting. It may be that the Fed wants to see if the labor market rebounds after the quirky August numbers and end of the federal unemployment bonus program. Another factor that could be affecting the Fed is the positions open on its Board of Governors, mostly notably, the position of Chair, with Mr. Powell's term due to expire next February.

In addition to monetary policy, there are a large number of fiscal programs for Congress to resolve. A partial list is action on the national debt ceiling, which has expired, and the U.S. Treasury using extraordinary measures to pay the bills. This is expected to last into October without Congressional action. Another item is the infrastructure bill, that is the hard infrastructure legislation. Then the soft human infrastructure legislation that is grabbing the headlines now on whether "reconciliation" is possible and the procedural hurdles to be overcome.

This is hardly an exhaustive listing of economic trends or items financial markets are watching. It will be a busy period for the markets, the Fed, Congress, and of course, you and I. As a final note of particular interest to social security recipients, the annual cost living adjustment (COLA) has been 4% or more twice in the last 30 years. It is likely the COLA adjustment to be announced in October will be the third time. Maybe the extra caffeine and fizz from the COLA will get us through our seasonal list of things to do.