Week in Review: More Fed officials weigh-in on tapering, slightly softer inflation print sets minor alarm bells

FED officials continue making increasingly hawkish noises; adding to the recent chorus of voice talking up the possibility of an earlies than expected tapering of asset purchases, Atlanta and Dallas Fed presidents, Raphael Bostic and Robert Kaplan, weighed-in last week both eyeing the 4th quarter as potentially appropriate. Bostic said he is eyeing the fourth quarter for the start of a bond-purchase taper but is open to an even earlier start if the job market keeps up its recent pace of improvement. Dallas Federal Reserve President Robert Kaplan said that the central bank should begin tapering its monthly purchases of Treasury bonds and mortgage-backed securities in October.

Key US inflation reading prints a little lower than expected; showing – perhaps – that inflation pressures are beginning to ebb. The personal consumption expenditures index (PCE) increased 0.4% against 0.6% expected on the month while increasing 3.5% on the year in June against expectations of 3.6%. While the latter number represents the biggest yearly move seen since 1991, the June reading represents the second consecutive deceleration on a monthly basis which has led some to believe that inflation may have peaked for the time-being.

US $1 trillion landmark infrastructure bill passes for approval of the House of Representatives; the senate passed the much acclaimed bill which will focus on improvements to America's crumbling transport system and is being hailed as a victory for President Joe Biden. The bill has provisions for $550 billion in federal spending over the next five years including upgrades to roads, bridges, airports as well as rail networks and power grids. The 2,700 page Act now sits with the House of representatives – controlled by the Democrats by a slight majority.

Markets wise, US Treasury volatility remains the theme; the yield on the US 10 year treasury seemed to base around the 1.16% last week, settling in the 1.30% seemingly taking heed of the slightly softer inflation print. The trend on the 10-year yield is down for the year. Five months ago it spiked above 1.7%, but has pulled back, hitting a new low earlier this month and settling in the 1.25-1.30% range since. Global equities also seemed to respond to the tamer inflation print, reaching all-time highs in the process despite lingering concerns around the spread of the Delta variant. The price of Oil meanwhile remained stable, just under the $70 a barrel mark on the week.