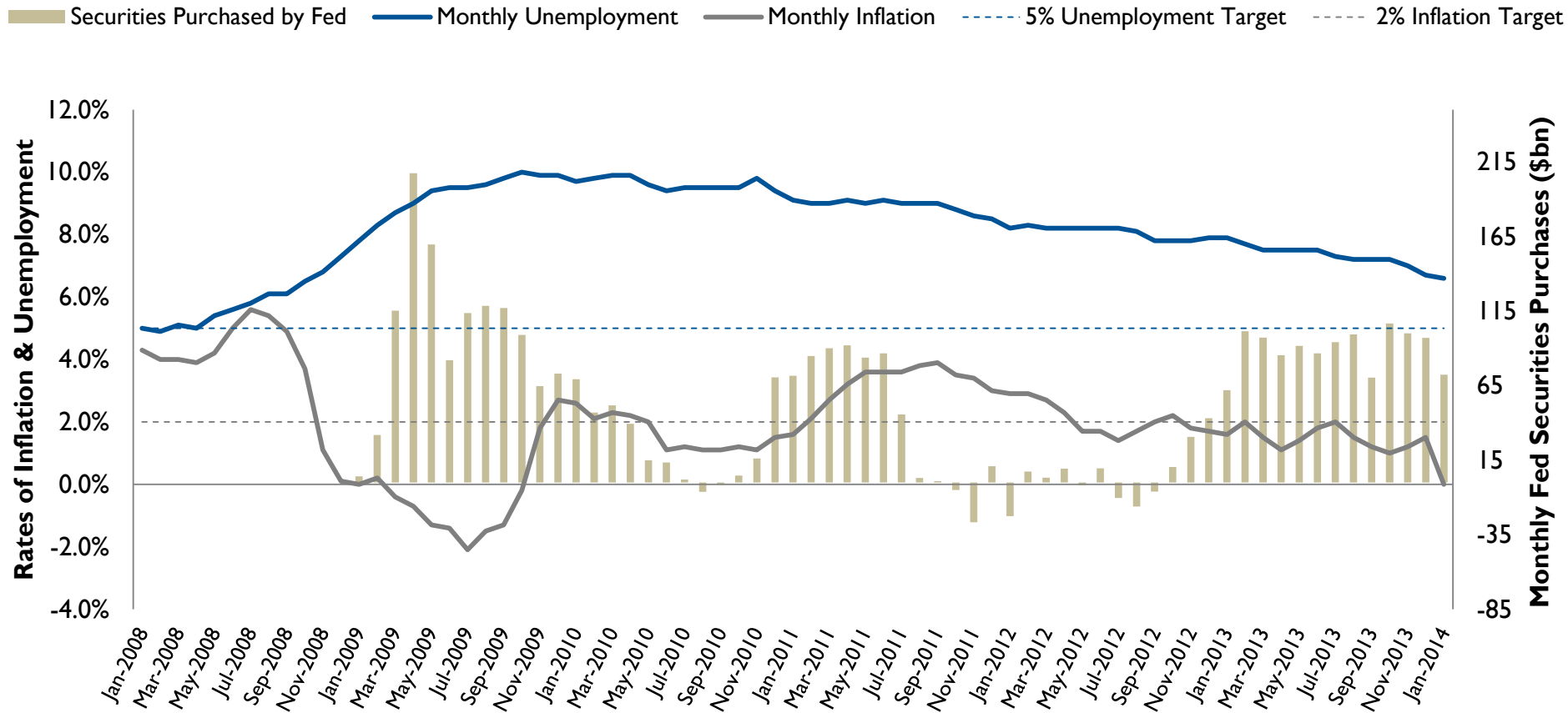


Yellen Has Leeway to Achieve Humphrey-Hawkins Objectives

Factors Affecting Federal Reserve Policy



Analysis

- In her Humphrey-Hawkins testimony of February 11th, Federal Reserve Chair Janet Yellen is expected to report on the Fed's progress on its legislatively imposed dual mandate of maximizing employment and stabilizing prices
- While inflation has mostly remained below the Fed's 2% target, unemployment remains well above the long-term target of approximately 5%
- Although Ben Bernanke pledged to reduce the scale of the Fed's securities purchases when unemployment reached 6.5%, the gap between current and goal employment means that Yellen may keep interest rates low and continue bond purchases for the foreseeable future