



Client Note: Economy Steady; Fed Unready

Fed Holds on Rates as Soft Landing Looks Solid

On Wednesday, the Federal Reserve left interest rates untouched, but suggested that recent inflation data means they will eventually (but not immediately) come down. After weeks of solid gains, markets slid when Chairman Jerome Powell [acknowledged](#) the central bank likely will not be ready to cut the nation's borrowing rates at its next meeting in March, [emphasizing](#) the need for “a continuation of the good (inflation) data we've been seeing.”

Between new jobs data and continuing reductions in inflation, it seems that the soft landing is upon us. [This morning's](#) jobs and unemployment report for January showed non-farm payrolls increasing by 353,000, while the unemployment rate remained at 3.7 percent – both beating expectations. Additionally, the core inflation index (PCE) came in for December at [2.9 percent](#), its lowest in nearly three years.

While some investors are expecting rate cuts starting in May, [others](#) say it will be at least June until the Fed has enough confidence that inflation is at, or nearing, its 2 percent target. Senate Banking Committee Chair Sherrod Brown [sent a letter](#) to Fed Chair Powell this week, exhorting him to cut rates for the benefit of lower housing costs. The Fed's next meeting to discuss rates will be March 19-20, and likely sometime after that meeting Powell will testify before the Senate Banking Committee and House Financial Services Committee as part of the semi-annual Humphrey-Hawkins statutory review of monetary policy. The Fed had previously laid the tracks for three rate cuts in 2024, with, as always, the caveat that such a decision will be data driven; the next report (January CPI) is scheduled for release on February 13th.

The Heartbeat on the Hill

Appropriations: Last Friday, Appropriators announced they had agreed on the spending levels for each of the 12 appropriations bills, allowing each subcommittee to start negotiating funding for specific programs within their purview. Policy riders (often controversial provisions more related to policy than funding) are also currently being negotiated at the subcommittee level – anything they can't agree on will get kicked up to the full Committee leadership and anything outstanding after that will need to be hashed out by Congressional leadership, all before the March 1st and 8th funding deadlines.

Supplemental Aid Package: Yesterday, Majority Leader Chuck Schumer (D-NY) [announced](#) that as soon as today (and no later than Sunday) negotiators will release text of the bill to fund Ukraine and Israel and address security at the southern U.S. border. He has changed the Senate calendar – declaring Monday will be a voting day – to allow the package to move on the floor next week. However, it's far from clear whether enough Republicans will support the deal – after insisting for months that border security be paired with Ukraine aid – to pass the Senate, or whether the House will even take it up after Speaker Mike Johnson (R-LA) and former President Trump [have trashed](#) the package (sight unseen) in the press.

Tax Deal: On Wednesday, the House [passed](#) the \$78 billion child tax credit and business tax package on a 357-70 bipartisan vote. It now goes to the Senate, where Republicans are [pushing](#) for a committee mark-up, which Finance Chair Wyden may be disinclined to provide, since that would open up the bill to all kinds of amendments that might jeopardize passage on the floor, not to mention force the House to reconsider the bill it just passed. The challenges presented by a markup make it fair to wonder if Republicans are simply reading a different page from the same playbook they have used on the emergency supplemental debate – that is, they don't want to see Biden get a policy win on a key issue in an election year. The upshot is there are favorable odds against a Finance markup at this point and the bill's path to passage will most likely be part of a larger package to avoid a government shutdown.

Farm Bill: USDA Secretary Vilsack will testify before the House and Senate Agriculture Committees on February 14th and 28th, respectively. Progress remains stagnant due to government funding uncertainty and negotiations on funding levels for the Farm Bill's various programs.

FAA: The reauthorization deadline remains on March 8th, and no public progress has been made in moving a Senate version of the bill, or negotiating around the House version.

Funding Opportunities

DOE recently [announced](#) a \$83 million funding opportunity in support of RD&D projects that address industrial emissions in the following subsectors: chemical and fuel; iron and steel; food and beverage; building materials (including cement, concrete, asphalt, and glass); and forestry. Pre-front end engineering and design (Pre-FEED) studies that focus on the integration of clean hydrogen and carbon capture in the industrial sector are also eligible for funding. Concept papers are due March 19th.

The Department is also soliciting concept papers (due March 4th) for a [\\$15.7 million opportunity](#) supporting projects advancing the domestic manufacturing of sodium-ion and flow batteries and nano-layered films for energy storage. Smart manufacturing platforms are also eligible for funding under this opportunity, which intends to award a total of thirteen projects.

Additionally, DOE [announced \\$31 million](#) in funding for projects seeking to reduce the costs and technical challenges of utilizing geothermal energy and reservoir thermal energy storage. Letters of intent are due March 1st.

Lastly, deadlines are approaching for the following opportunities:

- Feedback to [develop a national definition](#) for a Zero Emissions Building is due Monday, February 5th.
- Concept papers for the \$37 million for cost-reduction EV battery recycling projects by transporting, dismantling, and preprocessing end-of-life EV batteries or recycling plastic and polymer EV battery accessory components are due Wednesday, February 7th.

Where in the World is Pioneer?

Last weekend, the team traveled to Telluride, Colorado for our annual retreat, where we hit the slopes and discussed our priorities for the year.



Next Week: [Hearings to Watch](#)

Tuesday, February 6th

House Transportation and Infrastructure Subcommittee Aviation

“The State of American Aviation and the Federal Aviation Administration”

(10:00 AM EST), watch [here](#)

Thursday, February 8th

Senate Energy and Natural Resources

“Hearings to examine the administration's pause on liquefied natural gas (LNG) export approvals and the Department of Energy's process for assessing LNG export applications.”

(9:30 AM EST), watch [here](#)

Senate Health, Education, Labor, and Pensions

“Hearings to examine the cost of prescription drugs.”

(10:00 AM EST), watch [here](#)

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