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What to watch

Will Yellen throw Wall Street a curveball?

Adam Shell
@adamshell
USA TODAY

Janet Yellen has long been viewed as a market-friendly banker, so much so that Wall Street investment strategist Edward Yardeni has dubbed her the "Fairy Godmother of the Bull Market."

We bring you this observation because Yellen, now Federal Reserve chair, is giving a key speech this morning at a get-together of global central bankers, academics and financiers at Jackson Hole, Wyo. This confab gained a following in August 2010, when then-Fed chief Ben Bernanke hinted that a second round of Fed bond-buying, or QE2, was on the way, spurring a stock rally.

Yellen's keynote, her first at [illegible] at a pivotal time for central bank policy and markets. The Fed has said it will likely wind down its third round of bond-buying, or QE3, in October. That means the Fed's next step toward policy normalization will be raising interest rates. The Fed hasn't hiked rates since 2006 and has kept short-term rates pegged near 0% since late 2008.

The big question: When will the Fed start hiking rates? Mid- to late-2015, as Wall Street originally hoped? Or earlier? The decision will hinge on Yellen's view of the labor market. If she sticks to her script and stresses that the job market is still in need of support, markets will likely cheer. But if she throws a curveball and says employment is picking up quicker than expected, that could mean rates are going up sooner, which could rattle the stock market.