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Barron's: Yellen's Testimony Soothes Financial Markets

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New Federal Reserve Chair Janet Yellen's congressional testimony last week was met with widespread approval by financial markets.

To be sure, not everyone was pleased. Stanford University economist John Taylor upbraided the Fed for not following "rules-based policy," writes **Barron's Ben Levisohn**.

And Mark Calabria, director of financial regulation studies at the Cato Institute, criticized the central bank for pushing asset prices higher without producing jobs.

But the Fed's critics were "broadly ignored," David Ader, chief Treasury strategist at CRT Capital, tells Barron's.

"Indeed, Yellen's performance was widely praised," Levisohn writes.

She made it clear the Fed will continue on its tapering course unless the economy clearly worsens and that it will keep short-term interest rates near zero for a long time.

"She set the bar high on what it would take to stop tapering, while suggesting that rate hikes are as far away as you thought, and it's safe to go out at night," say Kit Juckes, global strategist at Societe Generale, according to Levisohn.

Meanwhile, the bond market's direction may not become clear until the bad weather breaks, because recent economic figures may have been distorted by the snow and cold, Levisohn explains.

As for Yellen, another of her critics is Judy Shelton, co-director of the Sound Money Project at the Atlas Economic Research Foundation, who took the Fed chair to task for her emphasis on the need to raise inflation to 2 percent.

That "means her definition of price stability would let the dollar lose more than 20 percent of its value each decade," **Shelton writes in The Wall Street Journal**.