Recent economic commentaries sketched reasons why we thought December’s weak jobs report was more than just a weather related aberration, and why it could be followed by a similarly weak report for January. In fact, the January report did show weak payroll growth along with minimal revisions for December such that for the past two months payroll growth was about half the rate deemed to be desirable by Federal Reserve officials.

Not only were employment gains anemic, but wages relapsed to below a 2% yearly rise while the workweek stagnated. Nevertheless, a separate report showed that the jobless rate actually fell to 6.6% in January or only a tad higher than the threshold rate that the Fed had in the past earmarked as a prerequisite for a potential policy response.

In light of the Fed’s decision to begin scaling back asset purchases we had feared that financial markets might react negatively to consecutive weak jobs reports. But a downward correct in equity prices and in bond rates halted and reversed in advance of Fed Chair Janet Yellen’s planned Congressional testimony on the economic and monetary policy outlook.

The new Fed Chair pledged continuity in monetary policy; relative unconcern over recent economic dislocations in selected emerging markets; and skepticism over the apparent weakness in recent economic data reports. In doing so she confirmed that there is a high bar for deviating from the Fed’s implicit schedule of steadily winding down asset purchases.

We think the new Fed head may be too sanguine as we are convinced that recent weak data reports reflect more than just adverse weather effects. Interestingly virtually every data report of late has shown downward revisions for October and November implying a significant downward revision to the estimated 3.2% GDP growth rate for last year’s final quarter. Further, business activity in the current quarter appears to be tracking at less than a 2% annual rate.

Beyond this, housing price momentum is fading; farmland values are weakening; vehicle manufacturers are introducing aggressive discounts to unload excess inventory; and recent commodity price strength is beginning to unwind. These suggest that inflation could track even lower in coming months and that combined with weakening business activity the implication is that the Fed’s official forecast of 3% growth and 2% inflation is appearing aggressive to put it mildly.

In her testimony Fed Chair Yellen shied from restating targets for unemployment, growth, and inflation. Instead she alluded to the need to follow a wide range of indicators in formulating policy. We agree, and in our view the wide range of indicators is suggesting that the Fed should continue to pursue a very aggressive expansionary policy. We think the new Fed Chair will reach the same conclusion if the economy fails to respond to a return to more normal weather. Very tentatively we also think the new Fed Chair may not be as transparent as her predecessor, which if true would be a good thing in our view.