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Timing is everything

The Federal reserve released the minutes of the July Federal Open Market Committee (FOMC) meeting last week, but it was “months” that got attention. At issue is the timing of when policymakers will begin to reduce the amount of the \$120 billion of purchases of Treasury and mortgage securities the Fed buys on the open market each month. While nothing is a done deal with the resurgence of Covid-19, the minutes add further evidence that tapering is likely to come soon. But there remains some disagreement over when: “Most participants...judged that it could be appropriate to start reducing the pace of asset purchases this year.” Of course, “most” means not all, and indeed the minutes also note that, “Several others indicated, however, that a reduction in the pace of asset purchases was more likely to become appropriate early next year.”

So there you have it. The massive ship that is the Fed is turning just as slowly as predicted in its movement to remove monetary policy accommodation. We will have to wait until the September FOMC meeting to learn more. In the meantime, the focus shifts from Washington, D.C., to Jackson Hole, Wyo., for the annual Kansas City Fed’s central bank symposium. While any comments on tapering are unlikely, we might get a better read on how the Fed views the rise of the delta variant of the coronavirus.