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Tapering on tap?

We are in a blackout period prior to the next Federal Open Market Committee (FOMC) meeting that begins this week, a time when Federal Reserve officials dig into the data to decide their vote rather than talk about it. On the table is the tapering of the \$120 billion of bonds the Fed has been buying monthly on the open market since the depths of the shutdown in March 2020. If policymakers don't announce they will trim these mammoth purchases (of Treasuries and mortgage-backed securities), they likely will strongly hint it will happen soon.

This FOMC meeting includes the Summary of Economic Projections that sheds a more empirical light on their views. Chief among it are predictions of gross domestic product, inflation and the federal funds rate. The labor market continues to improve and will factor into the projections.

It will be intriguing to see if the FOMC statement or Chair Jerome Powell's press conference will touch upon the drama of the federal debt ceiling. The liquidity market isn't nervous—we have seen this many times before and chances of a technical default are slim to none—but with every passing week without a resolution, the situation will get more and more news.