FOMC Update

. . . as summarized by Smith Shellnut Wilson

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The Federal Reserve today said it would start slowing its pace of asset purchases, the first step in paring back its COVID-era easy money policies.

"In light of the substantial further progress the economy has made toward the Committee's goals since last December, the Committee decided to begin reducing the monthly pace of its net asset purchases," the policy-setting Federal Open Market Committee said in its updated policy statement today.

Since the depths of the pandemic, the central bank has been directly buying U.S. Treasuries and agency mortgage-backed securities to signal its support of the economic recovery. As of now, the Fed is pacing its purchases at a clip of about $120 billion per month.

But the Fed said today it will gradually slow the pace of those purchases by about $15 billion per month, as part of a plan to bring its so-called quantitative easing program to a full stop by the middle of next year. The taper will begin "later this month" and will continue at that $15 billion pace through December, although the FOMC clarified it could change the pace of taper as needed.

"The Committee judges that similar reductions in the pace of net asset purchases will likely be appropriate each month, but it is prepared to adjust the pace of purchases if warranted by changes in the economic outlook," the FOMC statement reads.

The FOMC still maintained short-term interest rates at near zero. The decision on rates and taper was unanimous.

The Fed statement continued to double down on its view that high inflation readings will prove to be "transitory," noting that "supply and demand imbalances related to the pandemic and the reopening of the economy have contributed to sizable price increases in some sectors."

Anticipation for a Fed taper has ramped up discussion over the policy-setting Federal Open Market Committee's next steps: raising interest rates.

Fed officials have made it clear that the timing of taper has no direct implications for the timing of raising short-term borrowing costs from the current setting of near zero.

Please click the link for a side-by-side comparison of the U.S. Federal Open Market Committee statements from November 4, 2021 and September 22, 2021.

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