

Fed Rescues September

Bond purchases may end entirely by the middle of 2022.

Provided by DSA Financial Group

A funny thing happened in the investment markets the other day. September was living up to its reputation as a volatile month, but then the Federal Reserve came to the rescue.

The Fed concluded its Federal Open Market Committee meeting on Wednesday, September 22. It announced that it might start tapering its monthly bond purchases soon, perhaps as early as November, and could raise interest rates sometime next year.¹

Before the Fed news, the Standard & Poor's 500 index was down nearly 4% for the month.²

Fed Chair Jerome Powell said that bond purchases may end entirely by the middle of 2022. The support for hiking interest rates also increased, with half of the 18 Fed officials expecting interest rates to be higher by the close of next year, up from just seven who thought similarly in June.¹

The markets embraced the update, and over the next three days, the S&P 500 rose 2.3%.²

The Fed also raised its inflation forecast from 3% to 3.7%, which caught some by surprise. The Fed news on inflation came at the same time several large companies warned about higher prices.^{1,3}

Market volatility can test the mettle of even the most patient investor, so please remember we're here when your patience gets tested.

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Citations

1. The Wall Street Journal, September 22, 2021
2. Finance.Yahoo.com, September 24, 2021
3. CNBC.com, September 24, 2021