

When Bad News Is Good News

A surprising reaction to tapered bond purchases.

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Financial markets can be challenging to understand. But when markets enter a “bad news is good news” cycle, it becomes even more difficult to follow along.

At its November meeting, the Fed outlined its plan to taper monthly bond purchases, which will end this pandemic-era policy response by July 2022.¹

Bad news, right? The bond purchases were one of the ways the Fed supported the economy. Stopping the program would be like removing the punchbowl just as the party was getting going.

Not so fast. This time around, the financial markets said that bad news was good news. Ending the program signaled that the Fed had confidence in the economic recovery, and it no longer needed to support the financial markets.

But just a month ago, the bad news was still bad news. The financial markets hit a rough patch in late September after the Fed said it was preparing to reduce its bond-buying program as soon as November.²

If you have been investing for any period of time, it should come as no surprise to hear that the financial markets changed their mind. So, remember to consult your financial professional to help you keep focused on your investing goals while the financial markets sort out what’s good news and what’s bad.

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Citations

1. CNBC.com, November 3, 2021
2. WSJ.com, September 29, 2021