

U.S. FOMC Review

- FOMC minutes: first hint of a shift in QE

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The Fed & QE

The FOMC meeting on April 27-28 was largely uneventful, and the minutes from that meeting were not especially revealing. However, the meeting summary contained one interesting nugget: a hint that policymakers might soon begin considering an easing in their asset purchases.

The minutes noted that various officials believed that it would be “some time” before the economy had made “substantial further progress” toward the FOMC’s goal of maximum employment, and thus asset purchases would be maintained at their current pace for the time being (\$80 billion of Treasuries and \$40 billion of MBS per month). However, the minutes also noted that if the economy continues to improve rapidly, “it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases.”

Note, the statement was well hedged: it “might” be appropriate to “begin” discussing a plan. Nevertheless, it represented a break from past signals, which indicated that tapering was not on the Committee’s agenda. We would look for additional clues to dribble out over the next few months, and we suspect that tapering will begin at the start of 2022.