12/16/2021

FUSCO FINANCIAL ASSOCIATES

Market Commentary

To Our Valued Clients,

Recently reappointed Chairman Jerome Powell delivered some strong indications on Wednesday that the Federal Reserve's ultra-accommodative monetary policy that has been in place since the beginning of the pandemic, has started run to its course. The FOMC made the decision to double the rate of asset tapering, reducing the purchases of MBS and treasuries by a total of $30B/month. At this new rate, the asset purchase program is scheduled to finish by the end of March 2022. This is important not only because of the potential impact on our economy and financial markets in the short-term but an earlier end to the asset purchasing program likely indicates an earlier beginning to interest rate hikes. Following Wednesday's meeting, policymakers are now suggesting three rate hikes in 2022 and another three in 2023.

The grounds of this most recent decision were largely driven by the heightened levels of inflation experienced over the past several months. While strong recovery in the job market and overall economic progress were mentioned as reasons to begin to increase the speed of tapering, it was clear that consumer and producer inflation were the main drivers. "I think that the data that we got toward the end of the fall was a really strong signal that inflation is more persistent and higher, and that the risk of it remaining higher for longer has grown, and I think we're reacting to that now and will continue to adapt our policy. So I wouldn't look at it that we're behind the curve. I would look at it that we're actually in position now to take the steps that we'll need to take, in a thoughtful manner, to address all of the issues including that of too-high inflation" said Powell. While many disagree on whether or not the Fed is behind the curve as it relates to dealing with inflation, both viewpoints should glean some positives from this week's move. On the one hand, you have the Fed recognizing inflation as being more persistent than expected and beginning the process of slowing QE, an element that many feel has been a primary contributor to inflation. On the other hand, policy remains, albeit lessening, very accommodating in an effort to boost broad economic growth.

Although there are six weeks between now and the next FOMC meeting, I don't expect talks surrounding asset tapering or rate hikes to lose any steam. We will be keeping a close eye on any significant policy changes coming out of the January meeting. In the interim, I hope everyone enjoys a happy and healthy holiday season.

Thanks for reading, and as always, if you have any questions, or if we can help in any way, please don't hesitate to give our office a call.

With My Best Regards,

Brandon Hethcoat

Brandon Hethcoat
Investment Strategist
Registered Representative, RJFS

FUSCO FINANCIAL ASSOCIATES
PRIVATE WEALTH MANAGEMENT

505 Baltimore Ave.
Towson, MD 21204
(410) 296-5400

3825 Leonardtown Rd., Suite 6
Waldorf, MD 20601
(301) 710-5880

Visit us at www.fuscofinancial.com