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# WAIT A MINUTE(S)

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After the prior week's [inflation](#) fireworks, last week's trading sessions got a little bit of a "data reprieve." However, that doesn't mean the week was completely void of any headlines. Indeed, the April [FOMC](#) minutes offered investors an interesting "surprise" to consider as we get ready to kick off the unofficial start of summer with the Memorial Day weekend.

Now, to be clear, we're not talking about any imminent policy changes here, but the minutes did offer a departure of sorts from the latest conventional wisdom surrounding the Fed's intentions; namely, inner FOMC discussions apparently did mention the "T" word—tapering. For the record, "tapering" is a reference for reducing the policymakers' purchases of both [Treasuries](#) and [mortgage-backed securities \(MBS\)](#), which currently stand at a pace of \$120 billion per month.

Admittedly, you need to look at the context of this meeting, where the policymakers were coming off a nearly 1 million increase in jobs in March and "betting" on a repeat performance for April. We all know how that turned out, but the Fed was definitely not expecting the higher inflation readings that followed either.

Interestingly, more "recent" Fed speak did in fact forward the narrative that perhaps the time has finally come to begin discussions of tapering. Specifically, St. Louis Fed President Bullard stated that even though the Fed may not be at that point yet, "we're getting close" to that time, mentioning summer as "probably a good target." Meanwhile, Dallas Fed President Kaplan went a little further, saying that it is wise to weigh the cost-benefits of the Fed's emergency policies, and he would like taper talk "sooner rather than later."

With all that being said, the Fed's "big three"—Chairman Powell, Vice Chair Clarida and New York Fed President Williams—have, as of this writing, yet to go down this path. In fact, Powell's criteria to begin such discussions seem to hinge on the economy making significantly better progress on the employment front combined with putting the pandemic in the "rear-view mirror." On the inflation front, "transitory" remains the Fed's base case until mentioned otherwise.

## Conclusion

So, what does it all mean, you might ask? The bottom-line message is that there are probably more Fed officials than previously known who feel it is *not too early* to begin a discussion about tapering. Admittedly, the minutes' revelation does not necessarily mean the policymakers have formally pushed up their "exit strategy," but let the debate begin, perhaps leading to some interesting headlines during the summer months.

Oh, and for the record, the next FOMC meeting is slated for June 15–16 and will include the Fed's updated Summary of Economic Projections... More on that later.

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## **DEFINITIONS**

**Inflation** : Characterized by rising price levels.

**Federal Open Market Committee (FOMC)** : The branch of the Federal Reserve Board that determines the direction of monetary policy.

**Treasury** : Debt obligation issued by the U.S. government with payments of principal and interest backed by the full faith and credit of the U.S. government.

**Mortgage-backed securities** : Fixed income securities that are composed of multiple underlying mortgages.