

MARKETS TAKE FED'S STEP TO TAPERING IN STRIDE

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While seemingly unremarkable, the Federal Reserve arguably had a very successful transition meeting today: it managed to take an uneventful step towards tapering bond purchases. Our view has been that tapering by year end is likely, and today's meeting has moved the Fed one step further in that direction. And perhaps most important, it managed the step without pre-committing to tapering and, even more notably, without blowing up the markets—no small feat and a positive for all concerned. In terms of the markets going forward, this outcome supports our thesis for low and range bound rates as well as an ongoing search for yield over the quarters ahead.

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