

## FEDS GESTURE AT WITHDRAWING STIMULATION FUNDS: INVESTORS QUAKE



"All that depends on another gives pain; all that depends on himself gives pleasure; in these few words is the definition of pleasure and pain." So teach he Indian sages, and we are reminded of them when we see investors get paranoid over the words of Mr. Bernanke that the fed might want to decrease their stimulus project. The feds have been buying up \$85 billion a month in treasury securities, and this to help aid the banks in making lower loans. The government is artificially stimulating the economy so that more loans are cut. The understanding is that the Feds will make good on those loans and keep the rate low, and this because investors are putting a lot of money at stake. Understandably, they become angst-ridden when the Fed suggests it might change its policy in the near future.

Ben Bernanke has noted the increase in jobs, **employers hiring**, the somewhat lowering of the unemployment rate, all those good things, and has suggested that the Fed could reduce its monthly bond purchases early as this year. Such words upset and enmadden investors who were expecting no change in Fed policies until 2015. Whether the economy will continue to **improve** is not something they are paid to assume.

"Market adjustments since May have been larger than would be justified by any reasonable reassessment of the path of policy," said Jerome H. Powel, a Fed governor from Washington. "In particular, the reaction of the forward and futures markets for short-term rates appears out of keeping with my assessment of the committee's intentions."

The Fed has said that their current level of support will not necessary for too much longer, and that fussy investors was just part of the process of them withdrawing aid.

"It's important not to overinvest in what the markets have done," said William Dudley, president of the Federal Reserve Bank of New York.

The feds are optimistic about **hiring**, and the economy overall-- but are they over-optimistic? This investors are eager to know.