

12/15/21

Good Afternoon,

Markets rebounded strongly last week with the S&P 500 hitting a new high on Friday. True to recent form, stocks then declined earlier this week in anticipation of the Federal Reserve's two-day meeting ending today. Their decision was to leave interest rates alone but to accelerate the pace of tapering of monthly bond purchases. The Fed is clearly more concerned about inflation than they were earlier in the fall. However, they will proceed cautiously, and their intended actions are akin to tapping the brakes rather than slamming them. Stocks have responded to today's announcement enthusiastically as investors heard what they expected, and no surprises.

Has the Fed missed the boat on their inflation call? Is it too late for them to have a meaningful impact in the near term? Remember that they have stated all year that recent strong inflation numbers are 'transitory' and will ease as the supply chain troubles work their way out. Today's announcement drops any reference to transitory. Changes to monetary policy can take 12 to 18 months to work their way into the economy. Steering the economy is like steering an ocean freighter. It takes a long time to turn it around and guide it safely into port. And the sea is full of icebergs – politics, COVID, recessions, employment, the stock market, etc. If the Fed can slow inflation without stalling the economy, they will have done a great job and we'll all be happy.

In other news, Miss India, Harnaaz Sandhu, was crowned Miss Universe this past weekend. This is the 70<sup>th</sup> year in a row that an earthling has won the award. With over 125 billion galaxies in the universe, we are starting to question the integrity of the judges.

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As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Have a wonderful week!

*Wade*

Wade A. Sarkis, CFP®, AIF®  
Managing Partner  
Canandaigua Financial Group  
45 Ontario Street  
Canandaigua, NY 14424  
(585) 396-2720

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