

QE Tapering. How the Fed will roll it back.

The Fed will roll back QE gradually and will telegraph its intentions well in advance. This is clear. And it has begun. The Fed will continue to keep QE tapering in the news maintaining a 'will they won't they' stance until the market begins to get tired of the message and accept QE tapering as a reality. Only then will the Fed roll back its asset purchases. By then, the market won't care. It will be focused on fundamentals such as earnings growth, cost of capital, balance sheet quality etc. Correlations will have slowly leached out of the system.