

# Will the Fed break the market this week?

By Sheyna Steiner

**Monday, October 26, 2015**

Last month, the Federal Reserve broke the stock market. As the central bankers met on Tuesday, Sept. 16, the Standard & Poor's 500 index closed for the day at 1995.31. The next day markets began a downward spiral, plummeting to 1881.77 over 10 days, a drop of more than 5% and very close to the low for the year for the large-cap benchmark.

The good news is that the market is heading up. Friday's close at 2075.15 is nearly 3% off the high hit in May. The bad news is that interest rate uncertainty is still floating around -- and will continue to do so until the Fed actually moves.

All the up-and-down has investors and financial advisers worried about volatility -- particularly with yet another debt ceiling battle looming and a potential rate increase from the Federal Reserve in December.

Though the Fed is due to meet this week, no one expects any changes to monetary policy.

## **Global concerns fading**

On Friday, the People's Bank of China cut interest rates in an effort to revive economic growth, the BBC reported. But the pressure from the flagging Chinese market may have already been abating. A survey of 164 fund managers found that those who think a big market crash could emanate from China fell from 54% in September to 39% this month, according to a report released in mid-October by Bank of America Merrill Lynch.

If the central bank agrees that China poses less of a global risk, the monetary policymakers could have solid ground on which to build the case for a rate

hike in December. If so, the monetary policy statement released this week could provide some transparency to financial markets.

"The Federal Reserve will have at least 2 major opportunities to provide clarity to monetary policy: in this week's statement, and when Janet Yellen testifies before Congress on Dec. 3," says **Bernard Baumohl, chief global economist at The Economic Outlook Group** in New Jersey.

Investors hate uncertainty, so until the central bank decides to act, Fed-related volatility may come back in time for the holidays.

###