***'BELIEVE NONE OF WHAT YOU HEAR,***
***AND ONLY HALF OF WHAT YOU SEE'***
***Benjamin Franklin***

These days, only too often does it appear that certain, so-called financial analysts know as much about economics, both macroeconomics and microeconomics, as a eunuch knows about procreation while guarding a harem.

Case in point, last Wednesday, one read from a US, multinational non-profit news agency, headquartered in New York City, that, on the world's largest equity market:

> *'Stocks fell Wednesday after the Federal Reserve said it would cut back further on its economic stimulus. The central bank and its newly installed Chair Janet Yellen also suggested the Fed was moving closer to raising interest rates.'*

What absolute twaddle!

It was true that The Dow Jones Industrial Average had suffered a fall of 114.02 points, equivalent to about 0.70 percent, but as for the US Central Bank, suggesting raising interest rates in the near future – which was stated by innuendo by the US news agency – that was a total obfuscation of the truth.

Nothing could have been further from the truth: The Federal Reserve is not considering raising interest rates, today or in the near future; and, it is not even moving closer to the day when interest rates will rise.

When Dr Janet Yellen, the new Chairperson of The Fed, was asked what was meant by the phrase '*a considerable period'* (in respect of any proposed time period for raising interest rates in the US), she replied:

> *'It's hard to define, but, you know, it probably means something on the order of around six months or that type of thing. But, you know, it depends.'*

The question was asked at a news conference after The Federal Reserve had told the world of its determinations with regard as to how it sees the US economy, its direction and pace, and what action it was planning to take in order to continue to stimulate the largest, single economy of the world.

So, let's look as that which The Federal Reserve, actually, announced in order to view the facts.

It stated that with regard to the overall economy of the US, The **F**ederal **O**pen **M**arket **C**ommittee Meeting (**FOMC**) determined that the country's unemployment rate remains *'elevated'*.

The FOMC went on to state:

> *'Household spending and business fixed investment continued to advance, while the recovery in the housing sector remained slow. Fiscal policy is restraining economic growth, although the extent of restraint is diminishing. Inflation has been running below the Committee's longer-run objective, but longer-term inflation expectations have remained stable …*

*'The Committee expects that, with appropriate policy accommodation, economic activity will expand at a moderate pace and labor market conditions will continue to improve gradually …*

*'… there is sufficient underlying strength in the broader economy to support ongoing improvement in labor market conditions. In light of the cumulative progress toward maximum employment and the improvement in the outlook for labor market conditions since the inception of the current asset purchase program, the Committee decided to make a further measured reduction in the pace of its asset purchases. Beginning in April, the Committee will add to its holdings of agency mortgage-backed securities at a pace of $25 billion per month rather than $30 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of $30 billion per month rather than $35 billion per month …*

*'The Committee's sizable and still-increasing holdings of longer-term securities should maintain downward pressure on longer-term interest rates, support mortgage markets, and help to make broader financial conditions more accommodative, which in turn should promote a stronger economic recovery and help to ensure that inflation, over time, is at the rate most consistent with the Committee's dual mandate ...*

*'To support continued progress toward maximum employment and price stability, the Committee today reaffirmed its view that a highly accommodative stance of monetary policy remains appropriate. In determining how long to maintain the current 0 to 1/4 percent target range for the federal funds rate, the Committee will assess progress--both realized and expected toward its objectives of maximum employment and 2 percent inflation ...*

*'The Committee continues to anticipate, based on its assessment of these factors, that it likely will be appropriate to maintain the current target range for the federal funds rate for a considerable time after the asset purchase program ends, especially if projected inflation continues to run below the Committee's 2 percent longer-run goal, and provided that longer-term inflation expectations remain well anchored ...*

*'The Committee currently anticipates that, even after employment and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keeping the target federal funds rate below levels the Committee views as normal in the longer run ...'.*

The final two paragraphs, taken word-by-word from the FOMC Statement, makes it only too clear that '*that it likely will be appropriate to maintain the current target range for the federal funds rate for a considerable time after the asset purchase program ends'*.

Where did the FOMC suggest, or even intimate, that interest rates would rise in the near future – or, even, this year?

That the '*asset purchase program'* will end, eventually, is a given, but no specific date has been set for its cessation and, in any case, a determination in this regard can only be made after considering all of the factors with regard to the US economic data at a future date.

As far as **TARGET** () can ascertain on studying the latest economic statistics, flooding out of departments of the US Government, the near, record-low level of interest rates are quite likely to remain for the remainder of this year – at least – and, probably, deep into 2015.

The US economy is improving, to be sure, but the growth rate is nothing to write home to mom.

The Federal Reserve – commonly referred to as The Fed – will scale back, from next month, its purchases of mortgage-backed securities and longer-term, Treasury securities at the rate of about $US10 billion per month, down to $US55 billion from the past $US65 billion per month.

Is this anything to suggest that interest rates are set to rise in the near term?

After all, a mother cannot be expected to suckle her child, forever. At the appropriate time, a child must learn to eat solid foods and to stop, relying on its mother's milk for sustenance.

Removal of most, if not all, artificial means in order to stimulate the growth of the US economy should be welcomed rather than feared: It means that the artificiality of The Fed's accommodative, economic activity is no longer required: The fledgling is strong enough to fly of its own account.

What many people seem to fail to realise is that that which they read in the popular Press or hear in news broadcasts is not, always, according to the gospel.

As **TARGET** has pointed out, that person, who was responsible for writing the nonsense that The Fed '*was moving closer to raising interest rates*', is, sadly, a classic example of rank stupidity if it is not embedded in ignorance.

As for Wall Street, how often have the so-called, stock-market pundits got it completely wrong? The answer: More times than this volunteer amanuensis cares to count.

One is reminded of the sage words that were written about 267 years ago by one Mr Thomas Gray:

*To each his Suff'rings: all are Men,*
*Condemn'd alike to groan,*
*The Tender for another's pain;*
*Th'Unfeeling for his own.*
*Yet ah! Why should they know their Fate?*
*Since Sorrow never comes too late,*
*And Happiness too swiftly flies.*
*Thought would destroy the Paradise.*
*No more; where Ignorance is Bliss,*
*'Tis Folly to be wise.*

**-- E N D --**