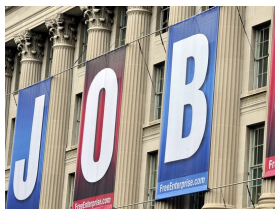


# First Take: Fed preps us for end of its stimulus

Tim Mullaney, USATODAY 5:56 p.m. EDT July 10, 2013



(Photo: Mladen Antonov AFP/Getty Images)

Call them crazy, but in the end the Federal Reserve policymakers decided to prepare Wall Street for a slow down in the huge bond-buying program it has used to nurture the stop-and-start recovery because it decided the financial markets were acting like grownups.

That's the picture that emerges from the minutes of the June 18-19 meeting of the central bank's Federal Open Market Committee, which sets monetary policy. Despite gyrations in bond and derivatives markets after Fed Chairman Ben Bernanke hinted at possible future tightening when he testified before Congress on May 22, the Fed looked at the stability in the stock market since its previous meeting in early May and decided the recovery would keep going even if the Fed took its foot off the gas.

“It was noted that (the gap between bond rates for the government and private companies) had not widened substantially and that the stock market had posted further gains, suggesting that the higher rates reflected, at least in part, increasing confidence that moderate economic growth would be sustained,” the ever-dry minutes read.

Now, that conclusion is up for debate. The minutes also suggest the central bank was working off a picture of a slowly, steadily improving economy. And there's room to debate that too.

But just like the rest of us, the Fed also noted the much steadier path of job gains this year. And keeping an eye on a handful of big, important signals without overreacting to noise isn't a bad thing — it suggests a longer-term focus that has been so notably lacking in the political branches of Washington.

If corporations are looking through the weak patch we're currently in enough to keep hiring, and consumers are still buying cars and even the stock market doesn't wig out completely at the thought of higher rates, then it's nearly time to begin slowing and finally ending quantitative easing, the Fed decided.

We may not like the signal that was sent, but now we know clearly why the central bank did what it did.

They decided that because you the people were acting like adults, someone in Washington could too.