

FED TAPERING



vEcoSys

FED TAPERING

Let me tell you an
interesting story...



FED TAPERING

Fabian owns a small bakery shop in Goa. His wife Suzi is a home maker and takes care of their two kids Jonny and Julie who study in college.



FED TAPERING

Fabian with great difficulty sets aside Rs. 15,000 a month for household expenses.

This amount is sufficient to run the house but not enough to fulfill Jonny and Julie's growing needs of entertainment and extra-curricular activities.



FED TAPERING



Jonny and Julie remain dejected and left out from their peers as they don't have enough pocket money to spend.



FED TAPERING

Fabian couldn't withstand his kids' sadness and decides to increase the monthly household expenses.

He sets aside an additional Rs. 5,000 a month as pocket money as long as the kids behave well, study diligently and score good marks in exams.

He wanted to fulfill all their wishes and hobbies even though he had to put an extra effort to earn that incremental Rs. 5,000 every month.



FED TAPERING

This made Jonny and Julie happy as they could now do everything that their friends could do or afford. This positive energy reflected into their studies and they scored well in their college exams.



FED TAPERING

Fabian and Suzi knew that their kids are now ready to take on the challenge to earn their own livelihood and become financially independent.

So, they decide to gradually reduce Jonny and Julie's pocket money by 5% every month till the time they find a part-time job for themselves of their choice.



FED TAPERING



This process of gradual roll back of pocket money is similar to tapering under way by the U.S. Federal Reserve (popularly known as Fed).



FED TAPERING

What is tapering?



FED TAPERING

Tapering refers to the reduction in the quantum of the bond buying programme by the Fed.

The bond buying, also known as the Quantitative Easing (QE) program was launched to kick-start hiring and growth in the US economy. The Fed's first QE program was launched in the midst of the 2008 financial crisis.



But why is Fed tapering now?



FED TAPERING

The Fed's decision to taper its massive bond buying is due the recovery in the US job market and the confidence that the economy will continue to grow inspite of the tapering.



FED TAPERING



Hope this story succeeded in clarifying the concept of Fed tapering.



Thinking of Investment

Contact

vEcoSys



DISCLAIMER

The views expressed in this lesson are for information purposes only and do not construe to be any investment, legal or taxation advice. The lesson is a conceptual representation and may not include several nuances that are associated and vital. The purpose of this lesson is to clarify the basics of the concept so that readers at large can relate and thereby take more interest in the product / concept. In a nutshell, Professor Simply Simple lessons should be seen from the perspective of it being a primer on financial concepts. The contents are topical in nature and held true at the time of creation of the lesson. This is not indicative of future market trends, nor is vEcoSys IMF Pvt. Ltd. attempting to predict the same. Reprinting any part of this material will be at your own risk. vEcoSys IMF Pvt. Ltd. will not be liable for the consequences of such action.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.



DISCLAIMER

The views expressed in this lesson are for information purposes only and do not construe to be any investment, legal or taxation advice. The lesson is a conceptual representation and may not include several nuances that are associated and vital. The purpose of this lesson is to clarify the basics of the concept so that readers at large can relate and thereby take more interest in the product / concept. In a nutshell, Professor Simply Simple lessons should be seen from the perspective of it being a primer on financial concepts. The contents are topical in nature and held true at the time of creation of the lesson. This is not indicative of future market trends, nor is Tata Asset Management Ltd. attempting to predict the same. Reprinting any part of this material will be at your own risk. Tata Asset Management Ltd. will not be liable for the consequences of such action.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

