BUSINESS

Bond buying to slow soon

Federal Reserve's meeting minutes hint that the move could come by year's end

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WASHINGTON — The Federal Reserve appears on track to slow its bond purchases by the end of this year if the economy continues to improve. But it remains divided over the exact timing of the move.

That's the message from the minutes of the Fed's July 30-31 meeting, released Wednesday.

A few policymakers said they wanted to assess more economic data before deciding when to scale back the central bank's $85 billion a month in Treasury and mortgage bond purchases. Others said it "might soon be time" to slow the purchases, which have helped keep long-term rates near record lows.

"There's more debating than deciding," said Michael Hanson, senior economist at Bank of America Merrill Lynch. "We didn't get a strong indication that the committee broadly is prepared to taper in September."

Nor did the minutes give any indication of how fast the Fed would scale back its purchases once it begins — or whether it would cut back equally on Treasury and mortgage bond-buying.

Since the July policy meeting, a few Fed officials have suggested that the central bank could slow the bond buying as soon as September. By then, updated reports on U.S. employment and economic growth will have been issued. The Fed is considered most likely to slow its bond buying after its September or December policy meeting because after each one, Chairman Ben Bernanke will hold a news conference and could explain such a major step.

The minutes suggested that future Fed statements may provide no advance warning of any policy shift before it happens. Several members suggested that providing advance notice might confuse stock and bond investors

In June, Bernanke signaled that the Fed would scale back its purchases later this year as long as the economy continued to improve. And he said the purchases would likely end by the middle of 2014, when the Fed expects the unemployment rate to be around 7 percent. It's now 7.4 percent.