What to watch

Fed minutes to focus on rate-hike timing

Adam Shell
@adamshell
USA TODAY

It's all about timing on Wall Street. The timing of interest rate hikes by the Federal Reserve, to be precise. As expected, when the Fed met in late April, it cut its bond purchases to $45 billion a month.

It also reiterated that it was in no rush to hike short-term rates, now pegged at roughly 0%.

But when minutes of the Fed's last meeting are released today, investors will be combing through the dense Fed language for any signs that would suggest it might move rates sooner than expected.

Stocks have been a big beneficiary of the Fed's easy-money policies since the start of the bull market, which is now five years old. Any sign the Fed will have to speed up its plans to reduce stimulus is likely to have a negative effect on stocks. Federal Reserve Bank of Philadelphia president Charles Plosser said Tuesday the Fed might have to raise rates "sooner rather than later" due to a strengthening housing and job market, causing market angst.

"Central bankers happily capitalized on their 'whatever it takes' gambit," Woody Dorsey, founder of Market Semiotics, wrote in a note Tuesday. "But what are the consequences? The historic equity rally cannot continue forever."

Hints of faster hikes than expected won't be taken well. Stocks have run into a wall in 2014, with the Standard & Poor's 500 the only one of the four major U.S. stock indexes in positive territory. After Tuesday's nearly 1% drop, it's up about 1% for the year, after rising 30% in 2013.