



## The US Fed Statement Could Impact the Stock Market Today

### Description

The U.S. Federal Reserve (aka the Fed) is about to issue a statement today on its outlook for the economy. Experts believe this could be the first time the central bank provides hints of raising interest rates and pulling back monetary stimulus measures.

The money printing is about to be scaled back. This could impact markets. Here's what you need to keep an eye on.

### U.S. Fed statement

The economic story has changed rapidly in recent months. Inflation has hit historic highs across North America. Canada's annual inflation rate is roughly 4.7% at the moment, but the rate has climbed to 6.8% in the U.S..

That pace is much faster than many economists expected, which is why Fed Chair Jerome Powell is likely to announce a quicker withdrawal of stimulus measures today. Experts believe the Fed could announce a faster reduction of its bond purchases. Some say the Fed could stop buying *any bonds* by the spring of 2022.

Experts also expect the Fed to announce interest rate hikes. The benchmark interest rate is held near 0% right now. To tackle inflation, they may have to raise this benchmark rate two or even three times in 2022.

Bear in mind that the Bank of Canada's policy on bond purchases and interest rates is closely correlated to the U.S. Fed. If Jerome Powell turns hawkish today, BoC governor Tiff Macklem may be under more pressure to do the same soon.

### Impact on stock market

The Fed's stimulus measures (or money printing) has kept asset prices afloat throughout the

pandemic. Real estate and stocks have been near record-highs as central banks pumped trillions into the economy.

Now that these measures are being pulled back, stocks and real estate could correct. The stock market has already started pulling back. The **TSX 60 Index** has lost 4% of its value in the past three weeks. Tech stocks in the U.S. have had a deeper correction over the past few months.

## What should investors do?

The economic outlook is murky, at least for the year ahead. However, the best investment outcomes are measured in decades not years. In other words, the near-term inflation and interest rate hikes could create incredible opportunities for long-term investors. Several sectors are undervalued right now.

**Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) is a good example. The stock has lost 67.8% of its value since hitting an all-time high in September. This was one of the best-performing tech stocks last year. Now it's a beaten-down bargain opportunity.

The payment processor isn't impacted by inflation in the same way. If merchants on the Lightspeed network raise prices, the company's revenue surges. That's one of the reasons Lightspeed stock is such an intriguing investment opportunity right now.

In fact, my *Fool* colleague Kay Ng believes [the stock could double](#) within the next 12 months.

## Bottom line

The Fed's statement this evening will impact markets. Jerome Powell is likely to take a hawkish stance. If that happens, it could create bargain opportunities for long-term investors.

### CATEGORY

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