

Fed's Bill Dudley: The Fed Doesn't Fully Understand How QE Works

The Fed's Bill Dudley admitted what many of us already suspected. The Fed has no clue how QE would affect the markets. Such a statement from a high level Fed official is unusual, and a very telling sign.

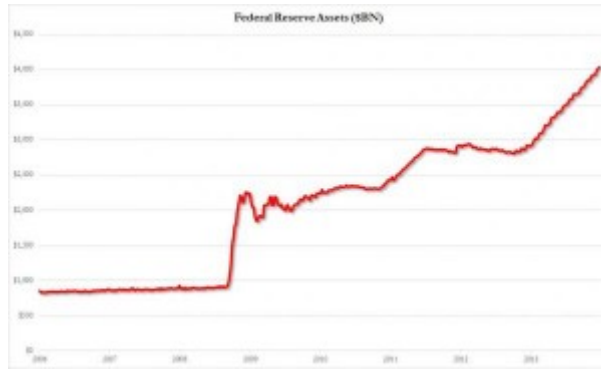
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Well, it took three years, but finally the Goldman Sachs-based head of the New York Fed, Bill Dudley, admitted what we all knew. From a [speech just given by NY Fed's Bill Dudley](#) at the 2014 AEA meeting in Philadelphia:

"We don't understand fully how large-scale asset purchase programs work to ease financial market conditions"

Or, in other words, "we still don't know how QE works." It just does (thank you [Kevin Henry](#)). And this coming from the people who want their word to become equivalent to gospel in a time when QE is being phased out and replaced with forward guidance. Luckily, at least the Fed [knows all about how "forward guidance"](#) works.

The good news: it only took \$4+ trillion in Fed "assets" for the central bank to understand it had no idea what it was doing.



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