The Federal Reserve held steady on its bond-buying program in a 9-1 decision made Wednesday. Neal Lipschutz, Emma Moody, and Sudeep Reddy join Simon Constable to analyze this decision. Photo: Getty Images.

Federal Reserve officials emerged from a two-day policy meeting with their signature easy-money program intact and no clear signal about whether they would begin pulling it back at their December meeting or continue it into 2014 during a leadership transition at the central bank.

In the six weeks since the Fed last met, Washington has been rocked by fiscal brinkmanship that led to a government shutdown that delayed crucial economic data and raised worries that the Treasury Department could miss some bond payments.

Fed officials stuck to their assessment of the slow-growing economy following that political storm and decided to keep their $85 billion-a-month bond-buying program in place for now. The decision left investors uncertain about when officials will begin paring the purchases that have been an important driver of asset prices and interest rates.

Investors have looked to Ben Bernanke for clues on the Fed's plans. Bloomberg News

Officials spoke earlier this year about starting to pull back the program before year-end if the economy improved as expected. They held off at their September meeting because of lackluster growth and the cloudy political outlook and remain in a holding pattern. Their last chance to pull the program back before year-end is a Dec. 17-18 policy meeting. The latest policy statement implicitly left open that possibility. But that comes with the strong caveat that the decision depends on whether the frequently disappointing economy lives up to the central bank's expectations.
"The housing sector has slowed somewhat in recent months," the Fed said in its statement. All in all, however, officials stuck to their view that the economy is expanding "at a moderate pace" and exhibits growing underlying strength.

The Federal Reserve held steady on its $85 billion-a-month bond-buying program and gave few new signals on when officials expect to pull back on the program. Jon Hilsenrath has the Fed statement and analysis of the decision. Photo: Getty Images.

Washington's budget battles shut the government for 16 days, and lawmakers and the White House argued about raising the government's self-imposed borrowing limit.

Many economists believe the shutdown shaved just a few tenths of a percentage point off economic growth for the quarter, but it also appears to have shaken household and business confidence.

In a new Wall Street Journal/NBC News poll, just 24% of Americans said they think the economy will improve over the next year, slightly higher than in the middle of this month's partial government shutdown but otherwise the lowest level of optimism since late 2011, after Congress and the White House last tussled over the debt ceiling.

Katie Wielichowski, 33 years old, said the government shutdown made her gloomy about the economy's prospects. For three weeks, the Milwaukee resident and her boyfriend, a federal employee, didn't go out to dinner or splurge on other items because they weren't sure when he would get paid, said Ms. Wielichowski, who works for a financial-services company. The uncertainty has left her undecided about whether to purchase a new car, she said. "Should I wait? Should I not wait? I just feel like it's in such a state of flux."

Some corporate executives have raised concerns in conference calls with investors in recent weeks about newfound fiscal uncertainty and its impact on the economy. "Fiscal policy uncertainty poses a risk, as negotiations on the debt ceiling and funding government operations have now been pushed out to the first quarter of 2014," Alan Mulally, chief executive of Ford Motor Co., said in a call last week, according to a transcript.

"Clearly the economy has been choppy this year. Think about sequestration; think about what happened with the debt ceiling debacle. It's all been difficult for the consumer," Nigel Travis, chief executive of Dunkin' Brands Inc., the coffee chain, said in a call.

The success or failure of congressional budget negotiations, under way Wednesday, could influence the Fed's decision on when to reduce, or "taper," bond purchases. Lawmakers have a Dec. 13 deadline to produce a compromise budget plan that will drive government spending next year.

That is just a few days before the Fed's December meeting. A deal could provide the Fed more clarity on the fiscal front. On the other hand, if talks stalemate, it could inject more uncertainty in the Fed's outlook. The White House and Congress need a spending agreement before the government's current funding expires Jan. 15 or another shutdown could ensue.

The next big test for the Fed, however, will come in mid-November when Fed Vice Chairwoman Janet Yellen appears before the Senate Banking Committee for her confirmation hearing to be the next Fed chief. Republicans are expected to press Ms. Yellen about the bond-buying program, and she could provide clues about whether she'll look to manage the program any differently than Chairman Ben Bernanke. The panel is looking at Nov. 14 as a likely hearing date.
Investors appeared disappointed the Fed didn't show a stronger commitment to sticking with the program longer. The Dow Jones Industrial Average finished down 61.59 points, or 0.39%, to 15618.76. Yields on 10-year Treasury notes rose 0.019 percentage point to 2.526%.

The Fed retained language from its September statement that indicates officials are prepared to pull back from bond buying if the economy picks up. Officials said they see evidence of "underlying strength in the broader economy" but chose to "await more evidence that progress will be sustained" before adjusting the bond-buying program.

The Fed dropped an earlier reference to "tighter financial conditions" potentially hurting economic growth, suggesting officials were relieved that long-term interest rates, including those on Treasurys and mortgages, have come down since the September meeting. Still, those rates remain higher than they were in May before Fed officials started talking about reducing their bond buying.

Economic data between now and the Fed's December meeting will influence the Fed's decision. But the data could be unclear because the shutdown affected the federal agencies that collect the figures.

"[T]here is a big difference between keeping an open mind and actually tapering in December—to act the Fed will need the support of the data, and it is still unclear that upcoming releases will be strong enough to induce it to scale back" bond purchases at the December meeting, said analysts at Cornerstone Macro. They predicted the first cut in the first quarter of 2014, but warned that "the probability of a December taper seems higher than many investors appreciate."

The Fed also voted to keep short-term interest rates near zero, where they've been since late 2008. Officials didn't make any changes to so-called forward guidance, which are the statements made about the likely path of interest-rate policy.

Write to Victoria McGrane at victoria.mcgrane@wsj.com and Jon Hilsenrath at jon.hilsenrath@wsj.com