Federal Open Market Committee (FOMC) :

The FOMC hold eight meetings per year where they review the state of the economy and decide on the appropriate type of monetary policy to follow.

They do this by supplying currency, setting up rules for banks and MOST importantly loaning money to banks and setting the interest rates for those loans.

Since banks will in turn lend this money out to their clients (businesses & individuals), the lower the rate the more banks will lend and the more money goes into circulation. Since banks set their interest rates at a certain percentage point over the interest rate that they are charged when the Fed changes the interest rates so do the banks. This gives The Fed enormous power over the money supply.

The Fed also sets the amount of money that a bank needs to hold in reserve. The lower the reserve required the more money is in circulation.

The Fed also sets the rate at which other banks lend to each other. Again the lower the rate the more banks can borrow from each other which lead to more money being in circulation.

The Fed can also change the supply of money by buying/selling government bonds. If they buy government bonds, they are increasing the supply of money and decreasing interest rates.This is quantitative easing.

The more money supply there is, the higher there is inflation (inflation is the increase in the general price level of goods and services), since more money leads to more demand which leads to higher prices. Therefore The Fed has to be careful in the way they inject money into the economy.

FOMC meetings :

Why do investors care about these meetings?
Because money supply affects spending which in turn affects the economy and because of this, there is an inverse relationship between the stock market and interest rates.

As rates increased, stock prices SHOULD fall.
As rates decrease, stock prices SHOULD rise.