Economy finally digs out of hole

Fed ends bond purchases 5 years after recession

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Despite stock market volatility and global economic troubles, the Federal Reserve on Wednesday upgraded its view of the U.S. economy as it ended bond purchases that have supported growth since the 2008 financial crisis.

The Fed also reconfirmed its intent to keep its benchmark short-term interest rate near zero for a "considerable time" after the bond buying ends. Barclays Capital said it still expects the Fed to begin raising the benchmark rate in June.

As widely anticipated, the Fed said it would reduce its monthly purchases of Treasury bonds and mortgage-backed securities from $15 billion to zero, ending after about two years its third round of bond buying since the crisis. The $1.6 trillion in purchases were intended to hold down long-term interest rates and spur growth.

The Fed's statement after a two-day meeting featured an upbeat appraisal of an economy that's picking up but has yet to soar five years after the Great Recession ended. If better economic data support its outlook, that could mean an earlier rate hike.

The Fed pointed to "solid job gains and a lower unemployment rate" since it last met in mid-September, adding that "underutilization of labor resources is gradually diminishing."

Another sign of optimism: The Fed didn't mention sluggish eurozone growth that has increased stock volatility. It also dropped an assertion that curbs on federal spending are "restraining economic growth."

Bernard Baumohl, chief global economist for the Economic Outlook Group, said the Fed's brighter outlook is warranted, noting unemployment has fallen to 5.9% from 7.8% since the bond purchases began in September 2012. "The training wheels should come off" the economy, he says.