# Fed may buy up more bonds

## Policy change not expected this week

**By Martin Crutsinger**
Associated Press

WASHINGTON — The Federal Reserve appears to be moving toward announcing some new step to try to energize the troubled U.S. economy.

The question is whether it will do so Wednesday, after its two-day policy meeting ends.

Probably not, many economists say.

The U.S. economy grew at an annual rate of 1.5 percent from April through June, less than the 2 percent rate in the first quarter. But many analysts say the economy hasn't slowed enough to compel the Fed to announce further help immediately.

Still, Fed officials have signaled their concern about weakening job growth and consumer spending, which have brought the economy closer to a standstill. In June, Americans spent no more in June than they did in May, even though their income grew 0.5 percent, the Commerce Department said.

Chairman Ben Bernanke has said the Fed is prepared to take further action if unemployment stays high (at 8.2 percent now).

What that action might be isn't clear. The Fed has already pursued two rounds of purchases of Treasury bonds and mortgage-backed securities to cut long-term interest rates and encourage borrowing and spending. These programs are called quantitative easing.

The Fed has also extended a program called Operation Twist. Under this program, the Fed sells short-term Treasurys and buys longer-term Treasurys.

"I think they are inching towards another round of quantitative easing, but I am not convinced they will get there at this meeting," said Paul Edelstein, director of financial economics at IHS Global Economics.

Even if the Fed did act, few think that further lowering long-term rates would provide much benefit to the U.S. economy. Most businesses and consumers who aren't borrowing now aren't likely to change their minds if rates slipped a bit more.

If the Fed doesn't announce any new steps this week, most economists expect it to unveil action after its next policy meeting in September. By then, the Fed will have received more data on the economy's health, especially how much hiring occurred in July and August. Bernanke will also have had more time to build support for further bond buying — a move that isn't embraced by everyone on the Fed's policy committee.