Associated Press

Traders work on the floor of the New York Stock Exchange on Wednesday.

Fed sees recession easing

NEW YORK (AP) — The Fed confirmed what Wall Street has already concluded: The recession is starting to ease.

Federal Reserve policymakers said at the end of a two-day meeting Wednesday that while the economy is still receding, the pace of decline "appears to be somewhat slower" than the last time they met in mid-March.

That was confirmation enough for the stock market. Major indexes, which had already been up sharply ahead of the announcement on other signs the economy is stabilizing, posted gains of more than 2 percent. The Dow Jones industrial average jumped 169 points to its highest close since Feb. 9.

"You had the Federal Reserve endorsing the basic stance that the economy is beginning to stabilize," said Bruce McCain, chief investment strategist at Key Private Bank in Cleveland.

The Dow is now 25 percent above its early March lows, though stocks have been unsteady over the past several days on fears of a potential swine flu pandemic and persistent concerns about the country's biggest banks.

Stocks began the day higher as investors responded to bright spots within a weaker-than-expected report on the nation's economic output for the first three months of the year.

Gross domestic product contracted at an annual rate of 6.1 percent, much steeper than the 5 percent forecast by economists polled by Thomson Reuters. But the glimmers of good news in the report drove the Standard & Poor's 500 rose to its highest trading level since late January.

Investors were encourage by a rebound in consumer spending, which accounts for more than two-thirds of U.S. economic activity, and a decline in business inventories. On President Barack Obama's 100th day in office, the GDP report at least provided signs that the nation is seeing its economic slide start to moderate.

The Dow jumped 168.78, or 2.1 percent, to 8,185.73. The gain leaves the blue chips down about 591 points, or 6.7 percent for the year.