Interest rates to stay low for a while

Mildly upbeat Fed encourages investors

Businesses increase capital spending

By Tim Paradis
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NEW YORK — The Federal Reserve's mildly upbeat take on the economy and its plans to hold interest rates low gave stocks a lift.

The Dow Jones industrial average rose almost 44 points Tuesday for its sixth straight gain. Broader indexes also posted moderate advances. Prices for Treasurys rose as the Fed said again that it expects to keep interest rates low for "an extended period."

The Fed also said in a statement following its meeting on monetary policy that businesses are spending "significantly" more on equipment and software. The central bank gave a marginally more upbeat assessment of the job market but said employers remain reluctant to hire.

"That's a major statement. That's saying that that's one major risk that's going to remain for a while," said Guy LeBas, chief fixed income strategist of Janney Montgomery Scott in Philadelphia.

Many investors appear relieved that the Fed will hold rates low to help the economy recover.

The Fed's statement hurt the dollar, which draws support from higher rates. The central bank's assessment of the economy also lessened investors' need to find safe places like the dollar to invest in.

The dollar's slide, in turn, raised commodity prices and the stocks of energy and materials companies.

The Fed also said it still plans to stop buying mortgage-backed securities from Fannie Mae and Freddie Mac at the end of the month.

"We are passing through a historic phase where the Fed's emergency responses to the Great Recession are now behind us and we're incrementally getting back to business as usual," said Robert Dye, senior economist at PNC Financial Services Group.



SETH WENIG / The Associated Press

A trader watches the action at the New York Stock Exchange after the Federal Reserve said Tuesday it will keep interest rates low for "an extended period."