Stocks end higher on Fed's assessment

By Tim Paradis
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NEW YORK — Stocks recovered from an early slide to end moderately higher after the Fed issued a more upbeat assessment of the economy following a two-day meeting on interest rates. The Dow Jones industrial average rose 42 points.

Treasury prices also reversed direction and began falling as investors withdrew money from safe haven holdings.

The Fed's statement that "economic activity has continued to strengthen" since its last meeting injected some calm into a nervous market. Stocks have fallen in five of the last eight days as investors question what effect a more assertive Washington will have on Wall Street. Some investors are also concerned that stocks have risen too fast in a 10-month climb that has left the Standard & Poor's 500 index up 62.2 percent.

The Fed also said it still plans to end a program to lower mortgage rates as expected on March 31. Analysts said that was a sign of confidence in a recovery in the housing market.

The Dow Jones industrial average rose 41.87, or 0.4 percent, to 10,236.16. It was down about 40 ahead of the Fed's statement. The Standard & Poor's 500 index rose 5.33, or 0.5 percent, to 1,097.50, while the Nasdaq composite index rose 17.68, or 0.8 percent, to 2,221.41.

The yield on the benchmark 10-year Treasury note, which moves opposite its price, rose to 3.66 percent from 3.63 percent late Tuesday.

The dollar rose against most other major currencies, while gold fell.

Scott Marcouiller, senior equity market strategist Wells Fargo Advisors in St. Louis, said the Fed's statement that it is slowing its purchase of mortgage-backed securities suggests the central bank believes the U.S. housing market is improving.

The Fed said it expects to complete the purchase of $1.25 trillion in agency mortgage-backed securities and about $175 billion in agency debt by the end of the first quarter.

"This tells me that they're comfortable with how the economy is progressing, even though they didn't come right out and say that."

Traders are also waiting to see whether Fed chairman Ben Bernanke, whose term ends Sunday, will win Senate approval for a second, four-year term. A vote is expected today.