USA TODAY MONEY

Stocks surge after Fed airs

Panel signals interest rates could remain low

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USA TODAY

Stocks soared Wednesday as the Federal Reserve signaled that interest rates could remain low well into next year.

The Dow Jones industrial average jumped 274.83 points, or 1.6%, to 16,994.22. The surge — its biggest point gain of the year — erased all of a 273-point dive Tuesday that dropped the blue-chip average to its lowest level since mid August. The Nasdaq composite jumped 83.39 points, or 1.9%.

As expected, the Fed said that it planned to end its market-friendly bond-buying program, called quantitative easing, after this month. The Fed has been purchasing Treasury and mortgage-backed securities to keep long-term interest rates low.

And the Fed showed no inclination to increase the key federal funds rate, currently near zero. In its statement, the Fed's powerful Open Market Committee said that it plans to keep the fed funds rate at its current level for a "considerable time" after its bond-buying program ends.

In March, Fed Chair Janet Yellen said that "a considerable time" could mean "six months," which would put the first fed funds increase around May. But the Fed had enough worries to push the next interest rate into the third quarter of 2015:

▸ **Labor.** In the FOMC's minutes, the Fed said that labor conditions had improved, but that the unemployment rate was little changed, and earnings showed little increase.

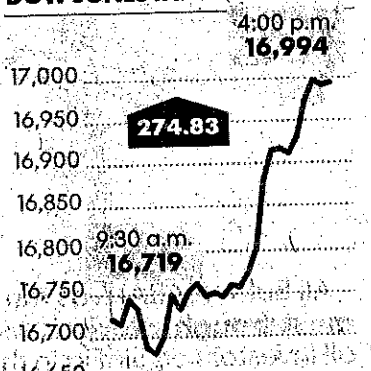
▸ **Housing.** The housing market remained slow in all but a few areas, despite low mortgage rates.

▸ **The dollar.** Slow growth in Europe and Japan could mean a higher value for the dollar, making U.S. exports more expensive.

▸ **Fiscal policy** — diminishing government spending — was restraining economic growth.

"Despite the Fed's easy-money policy, there's little sign that Wall Street is concerned about inflation, even in the long term," says

DOW JONES INDUSTRIAL AVG.



WEDNESDAY MARKETS

INDEX	CLOSE		CHG
Nasdaq composite	4468.59	▲	83.39
S&P 500	1968.89	▲	33.79
T-note, 10-year yield	2.32%	▼	0.02
Oil, light sweet crude	$87.31	▼	1.54
Euro (dollars per euro)	$1.2731	▲	0.0078
Yen per dollar	108.16	▲	0.01

SOURCES USA TODAY RESEARCH, MARKETWATCH.COM

minutes

Bill Irving, porfolio manager of Fidelity Government Income fund. Based on implied inflation expectations from yields on Treasury Inflation-Protected Securities (TIPS), Wall Street's long-term inflation expectations are nearly a quarter of a percentage point below the Fed's, he says.

More worrisome: The Fed will find it easier to fight inflation with rates near zero than it will find fighting economic weakness, Irving says. If the economy slumps again, "It has few bullets left," he says.

Stocks could get another boost from the unofficial start to third-quarter earnings season with results from Alcoa. The aluminum giant's third-quarter earnings after the close beat analysts' estimates by a whopping 41%.