

Fed cuts key rate for first time in more than a decade

BY MARTIN CRUTSINGER

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WASHINGTON — The Federal Reserve cut its key interest rate Wednesday for the first time in a decade to try to counter the impact of President Donald Trump's trade wars, stubbornly low inflation and global weakness.

It left open the possibility of future rate cuts, but perhaps not as many as Wall Street had been hoping for. During a news conference, Chairman Jerome Powell struggled to find just the right words to articulate the Fed's strategy and what might prompt future rate cuts at a time when the risk of a recession in the United States seems relatively low.

The Dow Jones Industrial Average tumbled to finish down 333 points, or 1.2 percent. The yield on the 10-year Treasury note fell to 2.01 percent from 2.06 percent late Tuesday, a sharp drop.

The central bank reduced its benchmark rate — which affects many loans for households and businesses — by a quarter-point to a range of 2 percent to 2.25 percent.

It's the first rate cut since December 2008 during the depths of the Great Recession, when the Fed slashed

zero and kept it there until 2015. The economy is far healthier now despite risks to what's become the longest expansion on record.

But Powell stressed that the Fed is worried about the consequences of Trump's trade war and sluggish economies overseas.

"Weak global growth and trade tensions are having an effect on the U.S. economy," he said.

Powell also said that sluggishness in some sectors of the U.S. economy, like manufacturing, along with inflation chronically below the Fed's target level justify the "insurance of a rate cut now."

Yet he struggled to explain clearly whether, why and by how much the Fed might further reduce rates.

"It's not the beginning of a long series of rate cuts," he said. "I didn't say it's just one or anything like that. When you think about rate-cutting cycles, they go on for a long time, and the committee is not seeing that — not seeing us in that place. You would do that if you saw real economic weakness."

Market analysts said it was no surprise that stock traders were disappointed. "Powell appeared very

reluctant to suggest that



Federal Reserve Chairman Jerome Powell walks to the podium during a news conference Wednesday following a two-day Federal Open Market Committee meeting in Washington.

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likely, only doing so when he was asked if this cut was 'one and done,'" said

Eric Winograd, senior U.S. economist at Alliance Bernstein. "Even then, he

likely be a brief cycle."

Trump, who has repeatedly attacked the Fed for failing to cut rates aggressively, expressed irritation with its message Wednesday.

ed to hear from Jay Powell and the Federal Reserve was that this was the

beginning of a lengthy and aggressive rate-cutting cycle which would keep pace

around the world," Trump tweeted. "As usual, Powell let us down."

He added, "We are winning any way, but I am certainly not getting much