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The Fed cuts interest rates to near zero to lift economy

By Susan Tompor (excerpt)
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The unrelenting financial upheaval associated with the coronavirus crisis is requiring even more emergency measures to shore up the economy.

As a result, the Federal Reserve took yet another emergency move and slashed short-term interest rates to nearly zero late Sunday afternoon.

And the Fed will take another important step to offer relief to stressed-out financial markets by beginning to buy \$700 billion worth of Treasury bonds and mortgage-backed securities.

The heightened financial stress drove the Federal Reserve to act before Wall Street opened for trading Monday. But as of 7 p.m. Sunday, early indicators showed that the Dow Jones Industrial Average could be down as much as 1,200 points on Monday morning.

The new fed funds rate now finds itself in a targeted 0% to 0.25% range. It's good news for consumers as well as businesses that had worried that banks would be reluctant to lend in a now higher-risk environment.

The Fed's statement Sunday indicated: "The coronavirus outbreak has harmed communities and disrupted economic activity in many countries, including the United States."

The Fed had engineered an emergency rate cut March 3, when the risk to the economy began to build, according Federal Reserve Chairman Jerome Powell.

Powell held a press conference Sunday night and explained that the Fed is aiming to offer more stability to the banking system, given that financial conditions had tightened markedly. ...

... Right now, we're no longer talking about a few up and down days for stocks on Wall Street. A real question exists for whether markets will be able to function properly.

David Kudla, CEO of Mainstay Capital Management, said all eyes have been on the Fed this weekend, noting that the central bank's actions will be the most important moves the Fed has had to make since the financial crisis in 2008.

He noted that the massive liquidity made available March 12-13 by the Fed was just the start.

"The actions to prevent the spread of the coronavirus are essentially shutting down economies," Kudla said.

The Fed recognizes that a real concern exists about credit lines, Kudla said, noting that actual cash is in short supply for business to operate.

"Their job is to insure the financial plumbing and financial markets function properly," Kudla said.

The U.S. economy is edging closer to a recession, according to economists. ...

*Please contact Mainstay at 866-444-6246 to request a copy of the full article.