

## Federal Reserve Will ‘Act as Appropriate to Support the Economy’

By [Nick Timiraos](#) Updated Feb. 28, 2020 3:06 pm ET

Federal Reserve Chairman Jerome Powell signaled Friday the central bank was prepared to cut interest rates if needed.

“The fundamentals of the U.S. economy remain strong. However, the coronavirus poses evolving risks to economic activity,” Mr. Powell said in a statement released Friday afternoon. “The Federal Reserve is closely monitoring developments and their implications for the economic outlook. We will use our tools and act as appropriate to support the economy.”

The Fed used similar language last June to indicate it was prepared to cut interest rates if needed after the U.S.-China trade war threatened to aggravate a global slowdown. The central bank subsequently cut interest rates three times, most recently in October to a range between 1.5% and 1.75%.

The sharp market selloff this week is forcing the Fed to consider whether and when to cut interest rates to cushion the U.S. economy against the effects of a widening global slowdown due to coronavirus outbreaks in dozens of countries.

Fed officials have been trying to avoid either waiting too long to respond to an unclear economic threat and or acting too rashly, which could further undermine confidence.

Markets have painted the central bank into a corner. Just a few days ago, when the virus outbreak appeared limited mostly to China, investors in interest-rate future markets thought the Fed would cut rates by the summer.

Now, as outbreaks have spread on other continents, investors expect the Fed to cut interest rates by at least a quarter percentage point—and possibly more—at their March 17-18 meeting, if not sooner.

The Dow Jones Industrial Average, which had been down as much as 3.7% in trading Friday, [rallied somewhat](#) after the Fed issued the statement, with stocks down 2% about an hour before markets were set to close.

Stocks were set for their biggest weekly losses since 2008 after fears of coronavirus outbreaks on multiple continents led investors to reevaluate the prospect for a temporary slowdown in growth in China.