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# Fed makes a bold move

The 50 basis-point cut in the fed funds rate range to address the coronavirus outbreak is the largest since 2008.

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In what could be considered by some as a “shock and awe” move, the Federal Reserve lowered the fed funds target range by 50 basis points this morning, from a range of 1.5-1.75% down to 1-1.25%. That amounts to the first policy action of this magnitude since 2008.

The emergency move came in response to a material change in risk to the U.S. economy as a result of the coronavirus outbreak, and on the heels of several days of market volatility. This led to declines in interest rates across the Treasury yield curve of between 30 and 60 basis points over this past week.

The Fed is not alone in taking these actions. Central banks of Australia and Malaysia lowered policy rates today. And there now is broad expectation of further stimulus from other countries in short order, if not in coordinated action, to collaboratively offset some of the economic effects that the virus and containment efforts may have on the global economy.

During a brief press conference this morning, Chair Jerome Powell emphasized that the domestic economy remains strong, and that he is confident that, “we will get to the other side,” and return to solid growth. He stated that the impact of the cut today would be in support of accommodative financial conditions and overall confidence. But he also stated that other policies—specifically health care and fiscal—are of equal importance. What’s next from the Fed? Powell left additional rate cuts on the table, should conditions warrant.

#### TAGS

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#### DISCLOSURES

Views are as of the date above and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.

Bond prices are sensitive to changes in interest rates, and a rise in interest rates can cause a decline in their prices.

Yield Curve: Graph showing the comparative yields of securities in a particular class according to maturity. Securities on the long end of the yield curve have longer maturities.

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