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Fed Holds Key Rate Near Zero

NEW YORK (TheStreet) -- The Federal Reserve on Wednesday said it would keep its key interest rate target at near zero, signaling that one of the first tools it used to battle the financial crisis is likely to be the last it returns to its toolkit.

The central bank's Federal Open Markets Committee unanimously maintained its target rate at a range between zero and 0.25%, where it has stood since December. The futures market, stock market, credit market and economy are all betting that interest rates will stay low for the foreseeable future. In any statements about plans to mend the economic crisis, federal officials -- including Fed Chairman Ben Bernanke -- have explicitly said the same.

The question for today was not whether the Fed would hike rates, but when. The Fed's terminology on Wednesday again indicated a lengthy duration for its loose monetary policy, using phrases like, "a time," "some time" and "an extended period."

"[Hiking rates is] a very big impact with a blunt instrument; it's not a scalpel, it's a hatchet," says **Dennis Nason**, a former senior banker at Credit Suisse (CS Quote), Citigroup (C Quote) and Wells Fargo (WFC Quote). "They don't want to be accused of being another [former Fed Chairman Alan] Greenspan, keeping interest rates too low for too long, with too much liquidity and people spending foolishly because of that liquidity."

There are indications that all the money pumping through the system has been sufficiently effective. The stock market has soared from the lows of March, and is up more than 10% year-to-date as the credit markets have begun to unfreeze. Traders are even getting back in the saddle with complex investment vehicles that were deemed untouchably toxic not that long ago.