The U.S. Federal Reserve headquarters in Washington.

The U.S. Federal Reserve’s announcement Wednesday that its near-zero key rates will continue until 2014 gives some policy breather to the Philippines and other emerging market economies.

The Fed pushed back the date for any likely increase in its benchmark interest rate by at least a year and a half, until late 2014 at the earliest.

Its new timetable showed the Fed is concerned that the economy’s recovery remains stubbornly slow.

But it also thinks inflation will stay tame enough for rates to remain at record lows without igniting price increases.

Bangko Sentral Governor Amando Tetangco said that the Fed move affirms some policy certainty from that part of the world, "which is important for anchoring global investor action."

"(This) could translate to providing EMEs (emerging market econmies), including the Philippines, some policy breather to concentrate on improving domestic demand," Tetangco said.

To the extent that the Fed action sustains the positive growth outlook in the U.S., Tetangco said that this should also be positive for our own trade prospects.

"We will continue to be watchful of global developments to ensure our policy settings remain appropriate for non-inflationary growth," Tetangco said.

With well-anchored inflation and possible external headwinds from the economic crisis in Europe, the policymaking Monetary Board last week decided to cut by 25 basis points the key rates of the Bangko Sentral.

The rates now stand at 4.25 percent for the overnight borrowing or reverse repurchase (RRP) facility and 6.25 percent for the overnight lending or repurchase (RP) facility.

The interest rates on term RRPs, RPs, and special deposit accounts (SDAs) were also reduced accordingly.

This is the first time that the MB decided to cut the rates after six consecutive "steady" decisions.

Tetangco said that the policymakers concluded that the benign inflation outlook allowed "some scope for a reduction in policy rates to help boost economic activity and support market confidence."

Fed chairman Ben Bernanke cautioned that its late-2014 horizon for any rate increase is merely the Fed’s "best guess."

It has the flexibility to shift its timetable if the economic picture changes.

But speaking at a news conference later Wednesday, Bernanke said:

"Unless there is a substantial strengthening of the economy in the near term, it’s a pretty good guess we will be keeping rates low for some time."

Treasury yields fell after the Fed made its announcement around 12:30 p.m. (1730 GMT).

But yields stopped falling after the Fed issued forecasts for the economy and interest rates.

They showed that while some members foresee super-low rates beyond 2014, six of the 17 members forecast a rate increase this year or next.

Lower yields could help further reduce mortgage rates and possibly boost stock prices as investors shift out of lower-yielding Treasuries.

Stocks, which had traded lower all day, quickly recovered their losses.

The Dow Jones Industrial Average, which had been down about 60 points before the announcement, was up 84 points in late afternoon.

Though Bernanke stressed the Fed’s flexibility to adjust rates as its outlook shifts, some analysts expressed concern.

The Fed’s statement was approved on a 9-1 vote. Jeffrey Lacker, president of the Richmond regional Fed bank, dissented. He objected to the new time frame for a rate increase.

The extended time frame is a shift from the Fed’s previous plan to keep the rate low at least until mid-2013.

Some economists said the new late-2014 target could lead to further Fed action to try to invigorate the economy.

The Central Bank has kept its key rate at a record low near zero for about three years.

Its new time frame suggests the rate will stay there for roughly an additional three years.