



On Tuesday investors all over world held their breath as they waited for news to come out of the Federal Reserve meeting. They were counting on Bernanke and crew to provide some insight into the health of the US economy which would greatly influence the direction of global markets. A cut in the Federal Funds Rate was almost a certain going into the meeting, the question was merely: how much? By now you have likely heard about the ½ point cut.

As you may recall, the Federal Reserve **has two primary roles**, one of them is to manage the US economy, and the other role of the Fed is to ensure the soundness of financial institutions. We still have some fundamental concerns as it applies to debt and the housing market, but by and large the economy appears to be in decent shape. Now that interest rates are a ½ point lower, the US economy just got a jump start.

The soundness of financial institutions was very much at risk prior to the Feds rate cut and Mr. Bernanke, a.k.a “Super-Ben,” came to the rescue. The interest rate cut was applauded the world over, as evidenced by global stock markets. Things got better instantly. Reckless, and greedy speculators that had been in major financial peril just weeks ago, got bailed out. We like to see open markets address and reconcile inefficiencies, but the Fed took matters into their own hands this time.

We have spoken ad nauseum about our concerns of excess borrowing and a lack of savings in this country. These facts have not changed. There was a growing crisis of confidence in the financial markets.

For the good of the capital markets, **this interest rate cut was extremely positive** however recession is still not out of the question. It is critical that this wake-up call from the Fed be heeded. We're paying attention to the global markets on your behalf

and will keep you posted as time goes by.

INDEX	09.21.2007	12.31.2006	%Change
DOW JONES	13,820	12,463	+10.8%
S&P 500	1,525	1,418	+7.5%
NASDAQ	2,671	2,415	+10.6%
Bond YIELD	4.63%	4.71%	-1.0%*

By: Mike Frazier