



Initial stock drop eases; local brokers react

By [David P. Willis](#) • BUSINESS WRITER • January 22, 2008

Local stock brokers reacted with cautious optimism today over the Federal Reserve's decision to slash interest rates, a move to try to correct a sliding the economy and stave off a possible recession. Wall Street reacted as well, as investors reduced the initial big drop in major stock market indexes.

"What you are seeing by the Fed is finally some decisive action," said Robert Giunco Jr., vice president at George McKelvey Co. in Sea Bright. "Investors now know by the size of the cut and the statement that they made that the Fed is going to do anything it can do to keep the economy healthy."

The Fed's decision to cut its federal funds rate by three-quarters of a percentage point to 3.50 percent, as well as the discount rate -- the interest it charges to lend directly to banks -- came a week before the central bank's regularly scheduled meeting, a sign that the Fed acknowledges that the world's financial situation is serious.

Whether the central bank's move was sufficient, though, was up for debate on Wall Street, where anxiety has been escalating that an interest rate might not be enough to stoke an economy pummeled by soaring mortgage defaults and tumbling home prices.

The Dow, down more than 460 points in early trading, recovered to the point by midmorning trading where it was down 158.84, or 1.31 percent, at 11,940.46. The Dow was last below 12,000 in March 2007.

The Standard & Poor's 500 Index was down 22.94 points, or 1.73 percent, at 1,304.36.

"The market is saying we're still behind the eight-ball here," Harry Clark, president of Clark Capital Management in Philadelphia told the Associated Press. "It's just not enough yet. The Fed has got to do a lot more than just lower rates. They've got to inject more liquidity."

Robert Tendler, a principal partner at Harbor Lights Financial Group in Wall, woke up today to news of another terrible day in the overseas markets. "With the Fed cutting rates, that was very much welcomed news this morning," he said.

It was the first time the Fed altered the target federal funds rate between scheduled meetings since the markets reopened after the Sept. 11, 2001, terrorist attacks. The cut was the biggest one-day rate move by the Fed since it lowered rates by a full percentage point in December 1991, when the country was trying to emerge from recession.

The Fed said in a statement that it took the steps to address a "weakening of the economic outlook increasing downside risks to growth." But, the Fed said, "Appreciable downside risks to growth remain." The bank said it will act in a timely way to address future risks.