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Can You Hear Us Now?

World markets have spoken with a loud voice for the past month. They're always speaking to us, sometimes cryptically, sometimes offering clues to their perception of the future, their hopes and fears. "Loud" doesn't always translate as "clear." Yes, we might respond, we hear you. Now let's try to figure out what the message is.

The month of January was truly one for the history books. Regardless of what happens the rest of the year, early January will go down as the worst start of a new year for US markets in a half century. The recession threat dominated market mentality, shaping a message to us and our leaders in the only way it can, through massive price movements. By the middle of the month, world markets had joined the chorus, and the common refrain was: the US economy needs big-time triage in the most desperate way.

President Bush returned from his Mideast trip and presented the administration's stimulus package. The political rhetoric was impressive and on point, speaking of tax rebates and other incentives. Markets responded positively to the initiative. As quickly as they had advanced, the markets then retreated. As we all tried to follow the bouncing ball, it seemed clear that the markets were saying: Thanks for the effort, but the underlying problems are too large for a band-aid . . . it's too little and maybe too late.

With the MLK, Jr. holiday ahead, many market watchers set off for the long weekend relieved that at least there was rhetoric on our side. Principal actors were acting. The rest of the world, however, did not rest so comfortably over the weekend. Around the world, the perception grew that the US was swerving toward recession and so far nothing substantial had emerged to stop it. Twenty years ago, the world might not have cared very much, but in our time all world economies are tied together and ours in particular is the economic engine for the rest. The foreign markets got two days of trading in before our markets were due to open on the Tuesday morning. At the end of the two days some Asian markets were down 20% and the US markets were set to tumble some 500 points at the Tuesday opening.

Federal Reserve Chairman Bernanke stepped in at nine o'clock that morning, before the market opened, and announced that the Federal Reserve was cutting the interest rate by three quarters of a point, the largest cut ever. His timing was perfect and the action substantial. The markets opened down and completed a spiral that experienced the lowest numbers since 1987. As the news from the Fed set in, the market rallied quickly.

Ten volatile days later, as the last trading day of the month opened, another half-point rate cut came into play, and the Senate, in its deliberate Senatorial way, studied the House-approved stimulus package. Again, the first market reaction was upbeat. We'll all continue to listen, hopefully, for what the markets have to say as the days grow longer.