

Interest rate cuts could bring good news

ACCORD BETWEEN BANKS PREDICTED TO END DOWNTURN SOONER

BY DON MECOY

Published: October 9, 2008



A trader rushes across the floor of the New York Stock Exchange, Wednesday, Oct. 8, 2008. An angst-ridden Wall Street tried but failed to find stability Wednesday, with investors attempting to determine whether an emergency interest rate cut would end the paralysis in credit markets. The major indexes moved in and out of positive territory before turning sharply lower in late trading and leaving the Dow Jones industrials down nearly 190 points. (AP Photo/Richard Drew)

Consumers ultimately will benefit from Wednesday's unprecedented interest rate cuts by the world's major central banks, but significant improvement in the financial and economic sectors will take time, an investment officer said.

"All these actions are the beginning of the healing process, not the end of the healing process," said Dean Junkans, chief investment officer for [Wells Fargo Private Bank](#).

"They are all important steps, but these things don't happen overnight."

The [Federal Reserve](#) cut its benchmark interest rate to 1.5 percent. The [Bank of Canada](#), the [Bank of England](#), the [European Central Bank](#), [Sveriges Riksbank](#), the [Swiss National Bank](#) and [China's](#) central bank also reduced policy interest rates. The [Bank of Japan](#) expressed its support of the moves.

"We've not had that before," Junkans said of the coordinated effort. "The Fed is trying everything. They're going to do everything they can to keep sawing through the logjam in the credit markets, which is a big part of what the economy is dealing with now."

'We will recover'

Donald F. Cassat, regional investment manager for **Wells Fargo**, told a group of about 50 **Oklahoma City** area clients that investors should position themselves for stronger financial markets in 2009.

"We will recover," Cassat said of the downturn. "I will guarantee that. Take that to the bank."

Some movement toward improvement already is evident, Junkans said. For instance, consumers are cutting back on spending and use of credit.

"Since the year 2000, the consumer has taken on about \$2.50 of additional debt for each additional dollar of additional income," Junkans said. "We've got to have some adjustment there."

Is the end near?

Matthew Bristow, managing director of ClearRidge Capital in **Tulsa**, said the biggest benefit of the interest rate cuts would be a quicker conclusion to the economic crisis. "A much bigger positive for most consumers than saving a few dollars on loans will be a stronger economy and job market where people are not losing their jobs," **Bristol** said.

Bristol said infusion of government money in the **U.S.** and elsewhere is a good start to easing economic stress, but the central banks also have a role to play.

"**Europe** has to think beyond its shore, and in the U.S. we have to think outside of **North America** in this crisis, because the links in the credit chain have no international boundaries and this is a truly global crisis," he said.

Toolbar sponsored by: **David Stanley Ford**



Related Topics: [Interest Rates](#), [Economic Indicators](#), [U.S. National Economy](#), [National Economy](#), [Business](#)

COMMENTS

Hey, let's all go invest in the new bank of Enron

bob, Oklahoma City - Oct 9, 2008 11:12 AM

• Report: [Offensive language](#)

But this does NOTHING for those of us with conservative investments, like certificates of deposit. For every action there is an equal and opposite reaction. I'll say it again - the increase in the price of oil started the series of chain reactions which has ultimately climaxed in the financial situation we're in. OPEC RULES THE WORLD.