

## Metro experts give the straight scoop on what you should do in this market

**Do you expect the Fed to lower rates again, and if so, when?** **Is the Fed's move a Band-Aid or a more permanent fix?** **Will the market reach 10,000 or 14,000 first?** **What are the market's safer sectors?** **What are you telling, or would you tell, jittery investors?**

<p><b>Fred Taylor</b> Northstar Investment Advisors</p>	<p>I unequivocally think the Fed will ease again when they meet on Sept. 18. By cutting the discount rate they have signaled to Wall Street that they recognize how very serious and dangerous this credit crunch is not only for the U.S. economy, but to the global markets as well.</p>	<p>Now that the Fed has embarked on an easing course of action, I think this will be a trend and not a onetime event. It will take some time to unwind trades that have gone bad and restore investors' confidence in the credit markets, which in turn will help the equity markets not only here, but abroad.</p>	<p>For the Dow to fall to 10,000, that would mean a 28.5 percent correction from the high of 14,000 just four weeks ago. I don't see that happening unless the 10-year Treasury bond spikes to 7 percent, oil goes to \$150 a barrel or we have another terrorist attack of major proportions. My bet would be for the Dow to retest 14,000 again before year-end.</p>	<p>The best place to be in these volatile markets is in the consumer staple, health care, energy, utility or telecom sectors. The companies in these groups will outperform because Americans will continue to buy food, cigarettes, drugs, gas, heat their homes and use their cell phones even in a recession.</p>	<p>I am telling investors not to panic, first and foremost. We have finally had a 10 percent correction in the S&amp;P 500 from the peak a month ago. We haven't had a correction of this magnitude in years, so investors have become complacent and may have forgotten that investing in the stock market is risky in the short term but more profitable than bonds in the long haul.</p>
<p><b>Greg Denewiler</b> Denewiler Capital Management</p>	<p>Lowering the discount rate is a pretty clear indication that the Fed will follow through and lower consumer interest rates. I would suspect they will wait until the next meeting in September to show some restraint of immediately bailing out the speculators.</p>	<p>The Fed's job is to ensure the system functions in some reasonable manner, which means credit is available to credit-worthy borrowers. Thursday, the system stopped functioning in a rational manner. They are in the business of providing Band-Aids so the system can fix itself.</p>	<p>14,000. I doubt we will be down 30 percent from the top with valuations currently at about 16 times earnings. Lower interest rates also help put a floor under the market. Everyone is now focused on the mortgage market, so, as we just saw with the Fed, things start coming out of the woodwork sooner rather than later that start to rebuild confidence.</p>	<p>The large multinational companies like GE, Johnson &amp; Johnson, Microsoft, 3M. Companies that have strong balance sheets. MDC, while it is in one of the worst sectors, has one of the best balance sheets of a horrible industry. So it should actually benefit after this all finally blows over.</p>	<p>If you focus on quality, don't try and be a hero, don't worry about picking a bottom and realize that panic almost always is a sign that we are closer to a bottom than a top, you will recover from this. If you want value, you have to also accept uncertainty. Name one great investor who built wealth buying CDs.</p>
<p><b>Joshua D. Stevens</b> AMG National Trust Bank</p>	<p>AMG sees some slowing in the growth rate for the economy, and to some degree the sub-prime issue raises the specter of a potentially rocky economic transition period. Therefore, we would expect the Fed to lower the fed funds rate if the turmoil in the financial markets continues.</p>	<p>The move on the discount rate signals the Fed's willingness both to act as a lender of last resort and to take action regarding a more tangible move lower in the fed funds rate in the next few months.</p>	<p>AMG does not see fundamentals deteriorating to the extent that the Dow would fall to 10,000. Rather, we think 14,000 is closer than investors might feel, given the current market volatility.</p>	<p>The traditionally 'safer' sectors continue to be consumer staples and health care. Under a broad definition of safety we certainly include stocks with high free-cash-flow yields and low debt levels given current market valuations, we would then include traditional growth sectors such as information technology in the 'safer' definition.</p>	<p>The cost to a long-term investor of a further panic-driven decline in stock prices would be temporary, while the opportunity cost of missing a bounce-back in stock prices would be permanent.</p>
<p><b>Gregory Robert Anderson</b> GRAnderson Wealth Management Group</p>	<p>The Federal Reserve used the right tool at the right time to address recent market gyrations in the last two weeks. Without the Fed's reduction in the discount rate, we might have seen continued losses in the markets. We anticipate another action when the next shoe drops in the mortgage industry.</p>	<p>The bears in the market could shrug off (Friday's) action by the Fed if we continue to see deterioration in the credit markets, leading to the possibility of a move in the federal funds rate. However, if the Fed sees additional cuts as necessary, that may signal the beginning of a recession.</p>	<p>Historically, major corrections have been about 10 percent. And while this might eventually qualify as a major correction, we see no factors that might make this correction extraordinary. With that in mind, a 10,000 Dow is in the rear-view mirror and a 14,000 Dow is on the horizon.</p>	<p>We still like the commercial real estate and energy sectors. Commercial real estate is not subject to the downward pressures caused by the burst of the sub-prime bubble.</p>	<p>We advise our long-term investors to scrape together whatever cash they have available and purchase some of their favorite discount stocks because a healthier market is just a few good earnings reports away.</p>