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Is This Time Different?

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**At 2:15 PM EST today, in one of the most scrutinized Fed announcements ever, Bernanke & Co. is going to lower interest rates again. That is a certainty. I can't even imagine what would happen if they decided to do nothing.**

**During the panic last week, the market was pricing in another 3/4% cut on top of the one last week. That's not going to happen, as that expectation has diminished to 1/2%, and rightly so for now. In "normal" times, whatever stock market move is seen in the days leading up to the announcement is usually partially given back in the days after. It's the old adage of buy/sell the rumor, sell/buy the news.**

**This has a similar feel right now where stocks have rallied from the panic low into the Fed meeting and should give some gains back in the short-term, even if we see higher prices after the announcement.**

**I continue to finally applaud Rip Van Bernanke's efforts to move rates in line with where they should be. Over time, they are headed at least another 1% lower, if not more. All the talk about the Fed being "duped" is moronic, in my opinion. They were behind the curve for so long and finally woke up and realized they were fighting the wrong war.**

**I don't think there is anyone left in the world who doesn't believe our economy has slowed down. That has, is and will continue to show up as headlines come across the wires. The debate is whether the U.S. is headed into a serious recession, mild recession or just a period of no growth.**

**As usual, I remain in the minority camp that we will NOT see a recession in 2008. For full disclosure, I am not an economist, never have been, will be or want to be!**

**Almost every survey I have seen over the past few months shows the highest level of worry and awareness from Main Street USA over the economy in history! That's just not the kinds of readings we typically see before recession hits.**

**Think about it this way. The average person is more negative about the economy now than at the depths of despair in 2001 and 2002. They are more worried now than during 1990 - 1991 credit crunch and savings & loan crisis. AND, they feel worse now than right after the stock market crash of 1987.**

**I've been wrong plenty of times and I will be wrong again many more times, but this just doesn't have the set up for a recession right now, especially in an election year. I can certainly see the economy grind to halt, grow some and then get hit harder into 2009. I've also been taught that recessions usually see tighter monetary policy, not looser and we certainly have not seen anything like that in the past year.**

**Finally, I went back 20 years to see what people were saying about the Fed's action into "uncertain" economic times. Almost across the board, overall sentiment regarding lower rates was that "this time is different", meaning that interest rate cuts would no longer work because the problem is bigger and different than we've ever had.**

**After the crash of 1987, conventional wisdom was that we were headed for depression, just like after the 1929 crash and rate cuts were useless. That was at Dow 1700. In 1990 & 1991, we had a housing bust, credit crunch, war in Iraq and S&L crisis. People viewed the Fed as defenseless and unable to solve the problem. That was at Dow 2500.**

**In 1998, we had the Russian debt default, Asian currency crisis and Long Term Capital debacle. Most people said it was going to cause a global collapse. That was at Dow 7800. 9/11 speaks for itself and the general feeling was that terrorism on U.S. soil would forever alter consumer spending habits. That was at Dow 8200.**

**Is this time really different? Obviously, only time will tell, but the odds do**

**not favor an impotent Federal Reserve!**

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