Utah experts weigh in on market turmoil

The Dow Jones industrial average had a tumultous week.

Does the Dow's plunge — at one point it was off nearly 11 percent from its all-time high a month ago — reflect a market correction or a systemic problem in the economy?

Five Utah experts offered their perspectives on the market's turmoil.

➤ **Q:** What do you make of a wild, wild week in which, for a time, there was a 10 percent correction in the major stock indexes from their peaks of a month ago?

➤ **A:** This type of volatility has not been in evidence in the past couple of years. That relative calm perhaps caused some investors to discount too much the risk associated with stock market investing.

GARY TERAN
President, First Western Advisors

While unnerving, in pure percentage terms this market falloff is nowhere near volatility experienced in the past. For example, on Oct. 19, 1987, the Dow fell 22.6 percent in one day. If we were to have a similar move today, the Dow would need to fall approximately 3,000 points.

It we look back one year, the Dow closed at 11,334.96 on August 17, 2006. Given that Friday's close was 13,079.08 for the Dow, that represents an increase of 15.4 percent including the correction over the last month.

It is a reminder of the analogy of the market being compared to a train. Up close they are frightening, loud and fast, but from a distance they seem much more smooth and quiet.

➤ **Q:** Where do you see the markets headed next, and should the typical investor be doing something different or sitting tight?

➤ **A:** Nobody knows which way the markets are heading next, but that doesn't mean an investor should do nothing.

TOBY LEVITT
CEO, Albion Financial Group

When confronted with market turmoil like what is happening now, investors should remember their long-range plans. They should sell or reduce any investment that is riskier than they are comfortable with, and make sure they understand what they are holding.

They should avoid investments in areas or sectors where the trouble is taking place. By reducing the risk it will be easier to hold good investments that will go up as things stabilize.

They also should be careful about rushing in and buying what appear to be bargains too soon. Let the market stabilize first. They might miss a little profit but could avoid a huge loss.

➤ **Q:** Is there a lending crisis or is it something less, and regardless, what do tighter lending standards mean to businesses and the average person?

➤ **A:** Many areas have falling home prices. Delinquencies and foreclosure rates are rising, and investors do not want to make or hold subprime mortgages. Some institutions that made loans and packaged them for sale have closed or been unable to get additional funding. Borrowers with less than great credit are, and will have a more difficult time obtaining loans.

Is that an economy wide credit crunch? No.

JOHN MITCHELL
Economic adviser

Business earnings have been strong and monetary authorities around the world have been injecting liquidity to keep credit markets functioning. Employment and production continue to increase, and the global economy is strong.

Most homeowners who think of their homes primarily as a place to live, and who are not refinancing, or selling, or moving will be largely unaffected, although the value of the homes my be impacted.

➤ **Q:** The Fed cut the discount rate by a half-point this week to 5.75 percent. Is that enough, or should it lower the federal funds rate, which remains at 5.25 percent, as well?

➤ **A:** The Fed's action is a baby step towards easing credit concerns.

SHARLA JESSOP
VP, Smedley Financial Services

First the Fed injected liquidity. Now it has lowered the discount rate, making it cheaper for distressed financial institutions to borrow money. These are small steps, but they manifest a major policy change.

The Fed's action has given investors a psychological adjustment that may allow the market to react gradually to the credit crunch. However, investor overreaction in the market could still hamper the future economy. The market's performance in the following weeks will indicate if a cut in the Fed funds rate is needed.

➤ **Q:** A few economists are speculating that a recession is at least a remote possibility. How worried should we be about that?

➤ **A:** The strong economy and low interest rates combined with overly aggressive financing that resulted in some people getting home loans who didn't qualify for them resulted in too many homes being built.

[Utah] has a strong economy, though. But we also have home prices that have grown at least twice as fast as incomes. The adjustments we've been seeing so far in Utah are a decline in the number of home building permits.

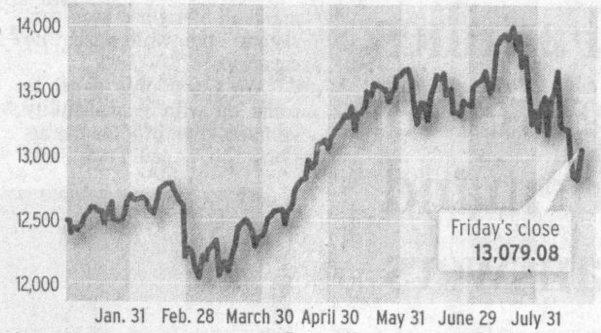
Nationally, the housing market problems probably have already reduced Gross Domestic Product by around 1 percentage point — from a growth rate of 3.25 percent to 2.25 percent. The definition of a recession is two consecutive quarters of negative GDP.

KELLY MATTHEWS
Executive VP and economist, Wells Fargo Bank

While the 1 percent impact on the GDP will probably continue for some time, a recession is quite remote.

The Dow's ride

The Dow Jones industrial average has had a volatile year.



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