



...weekly since 1976

Your guide to understanding
today's economy and
financial markets

September 5, 2007

[view previous issues](#)

THREDGOLD
ECONOMIC
ASSOCIATES

The TEA Company
A Professional Speaking and
Economic Consulting Company
1366 S Legend Hills Drive, Suite 150
Clearfield, Utah 84015
801-614-0403

www.thredgold.com

Copyright © 2007 Thredgold
Economic Associates, LLC.

Please call 1-888-847-3346
for reprint permission.

"Risk"y Business

Written by Jeff Thredgold, CSP, President, Thredgold Economic Associates

Developments of the past week or two have raised the odds that the global financial community will survive relatively intact the risk crisis that has been front and center during the past five weeks. It is also likely that stock market gyrations and wild swings in investor and lender emotion will continue.

Late last week both the President and the Federal Reserve Chairman gave speeches designed to lessen financial market paranoia. The President announced a program wherein the Federal Housing Administration would guarantee loans for certain distressed borrowers, allowing them to avoid foreclosure and refinance mortgages at lower rates. Fed Chairman Bernanke made it clear that "The Federal Reserve stands ready to take additional actions as needed to provide liquidity and promote the orderly function of markets."

"No" to Speculators

Both the President and the Fed Chair noted that their efforts would be to help people who faced legitimate financial pressures tied to rising mortgage rates, not speculators and others who found themselves in financial stress. The President noted "It's not the government's job to bail out speculators, or those who made the decision to buy a home they knew they could never afford." The Fed Chair stated "It is not the responsibility of the Federal Reserve—nor would it be appropriate—to protect lenders and investors from the consequences of their financial decisions."

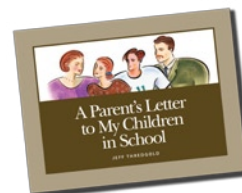
The Fed is still expected to cut its key short-term interest rate...the federal funds rate...from the 5.25% level in place since June 2006. The most likely timing of a cut remains September 18, the date of the next regularly scheduled Open Market Committee meeting. Most financial forecasters expect a 0.25% rate cut on that date, with another 0.25% rate cut or two on October 31 and/or December 11.

We largely agree with this scenario, although we suggest that the Fed will consider a more aggressive 0.50% rate cut on September 18. We also continue to

suggest that IF financial market confidence takes a major hit in coming days, the Fed will not hesitate to enter the market with an immediate rate cut of 0.50% (or possibly more) prior to September 18. As we have also noted, the Fed's strongest preference would be to see global financial markets stabilize and strengthen enough to allow the Fed to remain on the monetary sidelines beyond September 18.

A Parent's Letter...

Only two days remain to take advantage of our special offers for the new illustrated edition of *A Parent's Letter to My Children in School*. Visit www.thredgold.com for details. Only \$6.95 (down from \$8.95, quantity discounts also available). Combine with *econAmerica* for only \$19.95 total. Offers expire Friday, September 7 at 5:00 pm Eastern.



Every 10 Years

In recent media interviews promoting our new book, *econAmerica*, I have tried to point out that shocks to U.S. and global financial markets are historically common occurrences, with 10-year cycles at play more recently. Twenty years ago saw financial markets and investors trying to survive the Crash of '87, where the Dow fell more than 22% in one day. Ten years ago saw the Asian financial crisis of 1997, followed quickly by the collapse of high profile Long Term Capital Management in 1998.

Also reported last week was a significant upward revision to U.S. economic growth during the April-June quarter. The economy grew at a 4.0% real (after inflation) annual rate—the strongest growth pace since early 2006—and was revised up from the initial 3.4% growth estimate. Growth at about half that pace remains our view for the remainder of the year, with a return to near 3.0% real annual growth in 2008.

Money & Music

A client presentation that has become increasingly popular this year is entitled *Money & Music*, in which I am joined by my exceptionally talented wife, pop violinist and recording artist Lynnette Thredgold. We had two such performances in recent weeks for an insurance convention in Sun Valley, Idaho on August 13 just before lunch, and for a financial services client in Jackson Hole, Wyoming on August 24 after dinner. Please contact us for references for these events, as well as others.

We have included some information about *Money & Music* below. Give us a call at 888-847-3346 or visit www.moneyandmusic.net for more information. Lynnette and I would love the opportunity to present *Money & Music* at your next special event.

Money & Music

Perfect for lunch or dinner events, client functions
and other special occasions

Take an informative and humorous tour of the economy and financial markets with economic futurist Jeff Thredgold

Jeff Discusses

- § Why tight labor conditions will impact you
- § Why inflation will remain under control
- § Why retirement at 65 will give way to "bridging"



jeff thredgold, CSP
ECONOMIC FUTURIST

Jeff's Credentials

- § Jeff is the *only economist in the world* to have ever earned the CSP (Certified Speaking Professional) designation, the highest earned designation in professional speaking
- § Serves as economic consultant to \$50 billion Zions Bank, with banks in 10 states. Formerly served as SVP & Chief Economist of \$96 billion KeyCorp

Enjoy the exceptional musical entertainment of pop violinist and recording artist Lynnette Thredgold

Lynnette's Music

- ♪ An energetic blend of pop, classical, Latin, blues and jazz
- ♪ Visually and aurally stunning—stretching the boundaries of the violin
- ♪ A fresh, passionate and electrifying performance



Lynnette Thredgold

About Lynnette

- ♪ Lynnette has performed on violin with Debbie Reynolds, Josh Groban, The Moody Blues, Mannheim Steamroller, and Led Zepellin's Robert Plant and Jimmy Page
- ♪ She has co-produced and released three CD's—*Amazing Grace*, *Cool Energy* & *Dancing with the Red Priest*

Tailored to your event, audience and schedule

One Popular Format:

Lynnette plays a 20-minute set after dinner, followed by an upbeat and humorous 40-minute economic and financial update by Jeff. Lynnette then entertains your guests with another 20-minute set, concluding a perfect evening of entertainment and valuable information for your attendees

"Jeff and Lynnette could each carry a program both entertainingly and educationally but the dual concept of *Money & Music* is phenomenal."

—Lori Piscopo, The Deseret Foundation

Jeff's web site:
www.thredgold.com

Jeff and Lynnette are also available
separately for your event

Lynnette's web site:
www.lynnette.com

Thredgold Companies • 801-614-0403 • 888-847-3346 (toll free) • www.moneyandmusic.net

"TEA"ser

Police were called to a day care where a three year old was resisting a rest.

—from *Tea Leaf* reader
Robert J. Taylor

THREDGOLD
ECONOMIC
ASSOCIATES

The *Tea Leaf* is delivered weekly as a link to a PDF file.

To receive the *Tea Leaf* free via email, email your name, email address and "subscribe Tea Leaf" to subscriptions@thredgold.com

or fill out the form at www.thredgold.com

Thredgold Economic Associates
1366 S Legend Hills Drive, Suite 150
Clearfield, Utah 84015
www.thredgold.com

Graphics and layout by Kendall Oliphant
Research assistance from Shawn Thredgold