

## The Fed Cuts Rates, And... - Transcript

**Tom Mullooly:** In episode 182, we talk about the fed cutting interest rates. I'm sure you're going to want to watch.

Welcome to the Mullooly Asset Show. I'm your host Tom Mullooly, and this is episode number 182. Thanks for tuning in. Today, March 3rd, 2020, the fed cut interest rates, which the market usually likes. Market went down. What happened? So yesterday, on March 2nd, Monday, the Dow Jones went up 1,283 points. That's a 5% move. I've been in the business for 33 years. I can count the number of times on one hand the market's gone up 5% in one day. The story yesterday, what we heard all day, all afternoon, was there was great anticipation that the fed was going to cut interest rates and cut them a lot more than normal. And 10:00 Tuesday morning, they got their wish. The fed cut interest rates by 50 basis points. I sure would like to know who had inside information on that. Dow Jones at 10:00 this morning on the news was up 300 points and finished the day down 800 points. That's a swing of 1100 points.

I just want to remind folks, first of all, if you're not listening to the podcast, you're making a huge mistake. You need to tune into the podcast and the videos. But last week's podcast, I mentioned how the markets and investors get lulled to sleep when there's little to no volatility and they think markets just drift higher. Now, we have a lot of volatility. It's not going to stay volatile forever. There's a high level of uncertainty right now in markets, and that's what's yanking the markets up and down. So if Wall Street likes interest rate cuts, why did the market fall today and fall really hard?

Here's some of the reasons that we've heard today. Rate cuts won't end a virus. We also heard the fed can't print a vaccine. We also heard that this Coronavirus is not a monetary problem. Then we also heard, "Why did the fed cut 50 basis points? They usually cut 25 basis points when they lower rates. What do they know? It must be really bad. Why did they cut interest rates in between meetings? Why didn't they just wait until their meeting on the 17th and 18th?" These are all things that we've heard today going on.

Well, I'm just going to throw a hypothetical out there. What if a lot of people need to be quarantined for a few weeks? What do you think that might do to the economy? The fed, for once in their 100 year history, is being proactive and they're getting blasted for it, so the fed has our back. In the event the economy slows down, they want to help avoid slipping into a recession. That's monetary policy. What about fiscal policy? A lot of people don't understand the difference between monetary and fiscal policies. Monetary is changing interest rates. That's what the fed does. Fiscal policies are set by our friends in Washington, our legislators.

Little bit of under the radar news you may not be aware of. This afternoon, actually right before we turned the cameras on, treasury secretary Mnuchin announced that he is working with members of Congress on an emergency funding package. This is actually really going to be helpful. They're talking about providing aid for businesses that may face disruptions. They're talking about providing aid for workers who may not have paid sick leave and they're talking about purchasing vaccines so they can make them readily available to people who are going to need them. All we have to do is think back to the last government shutdown a couple of years

ago, how people who worked for the government didn't get a paycheck for a month and there were a lot of people who had financial stress.

I will say that it seems to me like we've got monetary policy heading in the right way to help us. We've got fiscal policy, moves that are being made to help people if this becomes a very serious problem. We still don't know, and that's something else that we want to just talk about briefly. We are still working with incomplete information, and that's why we're seeing a market that's zigzagging because we don't have hard numbers on how many people are sick, what's going on with this, when is the vaccine going to be available, what's going on? Too much information, all of it incomplete. And the market hates uncertainty. Most investors also hate uncertainty.

So making investment decisions, while there's a lot of uncertainty and a lot of volatility, I'm telling you now, that's a big mistake. So we've had people who have contacted us and said, "I don't know if I can sit through this market anymore." We've also had people who say, "I've had money in the bank all along. Now I want to start buying stocks." Now's not the time to be doing that. I don't think we're really ready for that. And it may not fit in your risk parameters.

So everybody just relax a little bit and let's see what happens as the data comes out. Hang in there, continue to tune into our videos and podcasts. We'll keep you up to speed. Thanks for watching.