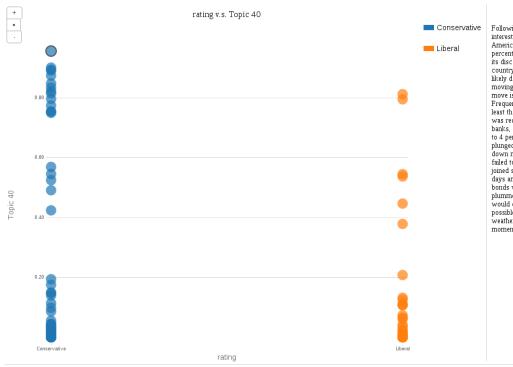
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Topic 40 (market. rate. economi)

## Selected Document

Following a melidown of overseas stock markets, the Federal Reserve cut a key interest rate 3/4 of a percent in hopes of heading off a similar sell off here in America The surprise reduction in the federal funds rate from 4.25 down to 3.5 percent marked the biggest one-day rate move by the central bank since it cuts its discount rate by a full percentage point in December 1991, a period when the country was struggling to get out of a recession Analysts said the Fed will likely delay cutting rates further at its Jan. 29-30 meeting but will probably keep moving rates down aggressively as the economy continues to weaken. "This move is not an instant fix," said Ian Shepherdson, chef U.S. economist at High Frequency Economics. "The economy is still staring recession in the face, but a least the Fed now gets it." In addition to cutting the funds rate, the Fed said it was reducing its discount rate, the interest it charges to make direct loans to banks, by a similar three-quarters of a percentage point, pushing this rate down to 4 percent. So far, the medicine isn't going down very well. Wall Street plunged at the opening of trading Tuesday, propelling the Dow Jones industrials down more than 300 points after an interest rate cut by the Federal Reserve failed to assuage investors fearing a recession in the United States. U.S. markets joined stock exchanges around the globe that have fallen precipitously in recent days amid concerns that a downtum might spread around the world. Treasury bonds were mixed, with investors seeking safer investments as stocks plummeted. The price of oil, meanwhile, fell amid expectations that a downtum would depress demand for energy. It's early in the day yet and a rally is still possible. But it appears that traders are about ready to hunker down and try to weather a recession - the length and severity of cannot be ascertained at the moment.