

>: A Trade You Can Make Right Now

Thursday, January 24, 2008 / Jason Jovine

The Federal Reserve is set to meet on January 30th. Many thought that would be the day they would cut interest rates. Wall Street still believes that they will cut interest rates on that day, but it caught everyone off guard when they cut rates on Tuesday (1/22/08).

They cut rates by 75 basis point (.75%). This brought down the federal funds rate to 3.5%. The federal funds rate is the rate at which banks lend money to each other overnight. That was on the monetary policy front.

On the fiscal policy front, Congress and the Bush administration are working out the details of a stimulus package. Last week, George Bush called for a stimulus package valued at ?about 1% of GDP (Gross Domestic Product)?.

Folks, that interest rate cut was the single deepest cut in the federal funds rate in more than two decades!!!!

1% of GDP is nothing to sneeze at. What Congress and the Bush administration are still trying to work out is who will get the tax rebate. Should a check be sent to everyone? Even those who don?t pay income taxes? Or only to people who pay income taxes?

There are multiple issues that need to be decided before you can answer that question. Questions like what is best for the economy as well as what is fair.

Those who don?t pay income taxes are more likely to spend the money that receive. The more spending that goes on, the more it will stimulate the economy. On the other hand: should people get money when they don?t even pay income tax?

That's a discussion for another day. For now, let's decide how to position ourselves in the current environment.

Take action right now?

Many people, for some strange reason, believe that you can?t make money when the market is doing poorly. This is a foolish and ridiculous statement. When the market does poorly you can buy great companies for lower prices.

If I told you that I could get you a brand new Rolls Royce for \$40,000, would you buy it?

I bet that you would. Many companies which are considered the ?Rolls Royce? of their respective industries are at comparable discounts right now. **I recommended Citigroup on 1/8/08 at about \$28 per share (<http://tycoonreport.tycoonresearch.com/articles/814131799/stock-pick>). I want you to average down and buy more here. The stock should be about \$25 when you read this. This will bring our cost basis down to about \$26.5.**

The symbol for Citigroup is C and it trades on the NYSE (New York Stock Exchange).

Banks usually borrow for shorter terms than they lend when the fed keeps shorter term rates low. This will make the bank's core business more profitable.

In other words: when the fed cuts interest rates, it effectively decreases costs for Citigroup (as well as other banks).

I also want you to keep **cash** on hand to take advantage of other great companies that are on sale.

I don?t recommended selling into this weakness. In other words, either buy or hold right now.

You could always buy puts options or sell call options, bonds are always good as well. Some commodities ETF?s (Exchange Traded funds) may

not be a bad idea either.

Bottom line is folks:

1. **Buy the names on the dips(e.g. Citigroup)**
2. **Keep cash on hand for opportunities that will continue to present themselves both in the stock market and in real estate coming down the pike.**
3. **Bonds are always great; especially if you pay high taxes. Look at Municipal bonds, or municipal bond ETF's for the state that you live in: they may be triple tax exempt.**
4. **Keep a bearish stance for now (buy puts, short stocks - if you understand how to, and sell calls).**
5. **Can't go wrong with commodities for the moment.**

Until the next time folks, Jason Jovine will be here to guide you through the madness. Take care!



Jason Jovine
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