

THE ORANGE COUNTY REGISTER

PRICE: 75 CENTS • WEDNESDAY, AUG. 10, 2011 • FOUNDED IN 1905

MARKETS REBOUND

Stocks recover from grim Fed outlook. Investors ponder strategies.

Stocks on Tuesday came roaring back and closed at session highs in a volatile day of trading that saw major averages plunge sharply following a gloomy description of the U.S. economy by the Federal Reserve. After relinquishing 634.76 points, or 5.6 percent, in Monday's battering - the sixth-largest point loss in its history - the Dow gained 429.92 points, or 4 percent, to 11,239.77. It had fallen as much as 205 points after the Fed statement.

FED OUTLOOK

The Federal Reserve sketched a dim outlook for the economy, suggesting it will remain weak for two more years.



As a result, the Fed said it expects to keep its key interest rate near zero through mid-2013. It's the first time the Fed has pegged its "exceptionally low" rates to a specific date. The Fed announced no new efforts to energize the

economy. But its statement held out the promise of lower rates on mortgages and other consumer loans longer than many had assumed.

WHAT TO DO

"The strategy is not to

change the strategy if the fundamentals haven't changed," Laura Tarbox, president of the Tarbox Group, a Newport Beach fee-only financial advisory firm.

She said now, in fact, may be a good time to buy because stocks are selling at bargain prices and have a potential short-term upside of 20 percent to 30 percent.

"We expect there will be more volatile days ahead, and no doubt the media will make the most of it," she said. "If you find yourself getting caught up in it, turn off the TV and go for a walk!"

Other news and tips in Business on News 18