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Business

WHIPPLE: What do you say in times like these?

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By Scott Whipple
Business Scene

After Monday's "blood bath" one financial adviser said he was trying to "talk people off the ledge." Long-time investors who had been through many ups and downs in the market were calling to tell him that they were getting out.

"I'm running out of things to say to reassure people," he said. "Money is coming out of the market and going under the mattress."

CNN Money reported that Wall Street had its worst day since the 2008 financial crisis, as fearful investors reacted to the United States losing its coveted AAA credit rating. While the Dow was dropping 635 points my B.W. — Beautiful Wife — called to ask, "Do we still have those Krugerrands you bought eight years ago?"

She had heard that gold had rocketed to a record high, \$1,700 an ounce.

Ah, those Krugerrands. They had gone the way of Apartheid. That gold went into her teeth and mine. Not literally. But figuratively. Two words both of us never want to hear again are "root canal."

"Investors are having one reaction to the downgrade: sell first and ask questions later," said Paul Zemsky, head of asset allocation with ING Investment Management.

The panic was on.

Still, I wanted to stay focused. I was curious as to how this market crisis might affect credit conditions in the state. Two weeks ago, Connecticut Business & Industry Association and Farmington Bank asked 389 executives what they thought about future credit conditions. They were not optimistic.

More than a quarter (28 percent) of survey respondents said credit availability was a problem; the previous quarter only 21 percent thought it was a concern.

John Patrick, president and CEO of Farmington Bank, noted that "with greater uncertainty looming and mounting pressure on 2011 profit margins, credit becomes even more critical to small businesses." Patrick stressed that credit availability is especially important today "because national fiscal and monetary policies, which usually help advance U.S. growth, may not be able to provide the stimulus needed to move the economy forward."

Wealth Management Group of North America LLC in Farmington recently asked Patrick's Farmington Bank for an increased line of equity; they got it.

"We didn't really need it," said Daniel Friedman WMG CEO. "But, in this economy it doesn't hurt to have it."

So, if anyone had an antidote for Monday's fear and panic it might be Friedman.

"People were taking money out of stocks today and putting it into Treasury bills," Friedman said. "Are they buying other triple-rated currencies? No. Our federal government is able to print money and people still want it. Millionaires in Moscow are walking around with Jacksons and Franklins, not rubles."

About gold, Friedman asks his clients, "If gold is such a good deal, why do people on TV want to sell it to you?"

"They're making their money on the run-up [of gold]," he said. "The dollar is still coveted throughout the world. Treasury bills have rallied almost 30 percent in one month and they pay less than 3 percent interest."

To paraphrase Mark Twain, it seems "the report of the death of the dollar has been greatly exaggerated."

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