

Weekly Financial Report with Scott Roulston

September 27, 2002

Scott Roulston, CEO of Fairport Asset Management, discusses the decision by the Federal Reserve to leave interest rates unchanged, the report card on steel tariffs imposed by the Bush administration, and the Family Leave bill passed in California and its potential impact in Ohio.

April Baer – The stock market continued its roller coaster ride this week, dropping early but rising sharply over the past two sessions. There is a clear undercurrent of worry. Consumer confidence was down again last month and another report today is expected to confirm that. The Commerce Dept.'s final read on second quarter GDP is due in less than an hour. It is expected to show a slowdown in growth. Finally, SBC Ameritech announced another 11,000 layoffs. Pretty gloomy stuff! Let's see how Scott Roulston of Fairport Asset Management is reading the tea leaves today. He joins us by phone, as usual on Fridays. Hi, Scott.

Scott Roulston – Good morning, April.

April Baer – On Tuesday the Federal Reserve left a key interest rate unchanged. The thinking there was that what they are already doing should be sufficient to promote growth and that there's just too much going on in the world right now. It would be unwise to tweak too much. What do you think the Fed's decision will mean?

Scott Roulston – There were a number of interesting elements to the Fed decision, or non-decision. One was that there were two dissenting votes. That sent a signal that maybe they know something. You're right about the roller coaster ride. We're getting good information; we're getting negative information. You mentioned some of the negatives. Yesterday the housing numbers were pretty good and so were the durable goods numbers. You know, the Fed does tend to get information before the rest of us and the question, I think, is really does the Fed know something that we don't or are they as confused as the rest of us, given all these crosscurrents? I would choose to say caution might dictate not to bet against the house in this one. Maybe they do know something and are just waiting to see if patience will pay off, in terms of further rate cuts. The other thing is that if we do go to war, the Fed wants to keep some dry powder and being able to at least reduce rates one more time might help to do a little bit more to stimulate the economy. So it's wait and see right now.

Weekly Financial Report with Scott Roulston

April Baer – This week a report came out showing steel imports in this country are down by 430,000 tons. Should we take this to mean that the controversial steel tariffs that the President imposed earlier in the year are working?

Scott Roulston – No way. First of all, the steel barriers have so many exemptions – I mean, there are all sorts of holes in the barriers. But I really think, based on what I've discussed with people who work with steel and metals in general, is that really what we saw was a lag effect. You know, when you buy steel in your business it takes 4-5 months to get deliveries, especially from overseas. So I think what we're seeing with the reduction in imports was really what was going on in March, which was a lot of uncertainty over the tariffs. Pricing is still fairly high in the metals business but demand is starting to slack off. So depending again on what happens in the war situation and all, we could see steel prices decline come early next year.

April Baer – Hey, did you see the story about California's Family Leave bill this week?

Scott Roulston – Yes, and only in California.

April Baer – Right, it was the union that got this deal done, recommending to the legislature that they require businesses to provide a certain percentage of pay guaranteed to people who are taking family leave – whether to have children or take care of elderly relatives. Do you think we should look for an Ohio bill similar to that soon?

Scott Roulston – I think we're a long ways away with our Republican-dominated legislature down in Columbus for that to happen. But you're right. I think it's \$26 a month that employees will have deducted from their payroll and this will go into a pool where workers can get half of their salary to take care of a new child or a sick relative. The problem for California on that is it makes them less competitive for potential employers for businesses relocating than other parts of the country. So you really need a national policy, if anything. I prefer more the market forces. I mean, one thing about that California bill is for companies with under 50 employees you don't have job protection. So you might get paid 50% but you don't have a job when you come back, perhaps. I think good management just means that you deal with these kinds of issues in your own company and work closely with your employees. If they are good employees, you're going to make a policy that takes that into account.



Weekly Financial Report with Scott Roulston

April Baer – Scott Roulston - a working father, although with Fairport Asset Management - joins us every Friday morning to talk about the business news of the week. Scott, we'll see you next Friday.

Scott Roulston – See you next week.