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Fed Leaves Rates Alone for Second Straight Meeting

For a second straight meeting, the Federal Reserve has decided to remain on the sidelines and leave interest rates alone. In the opinion of many economists, that stance may prevail not only for the rest of this year but well into 2009. The thinking is that the Fed doesn't want to cut interest rates further because of concerns about inflation. However, at the same time, the majority of Fed officials don't want to start raising interest rates because the economy is still hobbled by mounting job losses, a prolonged housing slump and a severe credit crisis. The Fed cited both worries about inflation and weak economic activity in the statement it released after Tuesday's meeting explaining its decision to leave its target for the federal funds rate, the interest that banks charge each other, unchanged at 2 percent. The Fed may not have moved interest rates on Tuesday but it certainly moved Wall Street. Stocks, already soaring, extended their advance, with the Dow Jones industrial average finishing the day up 331.42 points, or 2.87 percent. It was the biggest one-day gain for the Dow since April 1. Investors were cheered not only by relief that the central bank did not signal that rate hikes were imminent but also by a continued drop in crude oil prices, which fell as low as $118 a barrel during the day and are now down $28 from levels seen on July 11. The lower oil prices not only help motorists when they fill up - gasoline has fallen as well in recent weeks - but also help the Fed by relieving inflation pressures. In a brief statement explaining Tuesday's decision, Fed Chairman Ben Bernanke and his colleagues said the central bank is still concerned about the weak economy and the dangers posed by inflation. "Although downside risks to growth remain, the upside risks to inflation are also of significant concern to the committee," the Fed said, splitting the difference between the two opposing forces battering the economy. Analysts said the bottom line message from the statement is that the Fed doesn't plan to make any changes in rates any time soon. "Unless something really weird happens, I don't see the Fed moving before the November election," said David Wyss, chief economist at Standard & Poor's in New York. Many economists believe that the overall economy, as measured by the gross domestic product, will post moderate growth of around 2 percent in the current July-September quarter, helped by consumers continuing to spend the rebate checks sent to 130 million households. But activity is expected to plunge significantly in the final three months of this year and early in 2009 as the impact of the rebate checks wears off. Wyss said he is looking for GDP to actually shrink in both the fourth quarter and the first quarter of next year, fulfilling the standard definition of a recession as back-to-back quarters of negative GDP. However, Wyss looks for growth to start rebounding next spring as the problems related to housing begin to lessen. It is then that he believes the Fed will start raising interest rates as it turns its attention to making sure a rebounding economy doesn't ignite inflation. The November presidential election is another reason many economists believe the Fed will prefer to keep rates unchanged at its next two meetings on Sept. 16 and Oct. 28-29. "The Fed doesn't like to be in the spotlight during the heat of a presidential campaign," said David Jones, chief economist at DMJ Advisors. "I think they will prefer waiting now until they can get a better view of how the economy is unfolding and see if financial markets become less fragile."
(AP)

Retailers Report Mixed Sales Results in July

The outlook for the back-to-school shopping season looked grim Thursday, as retailers' July sales reports showed an increasing shift toward buying necessities like food and household supplies at discounters and away from discretionary splurges on clothing. With the benefits of the government stimulus checks fading, the big worry is how much shoppers - squeezed by high gas and food prices - will retrench in the critical months ahead. As the nation's retailers reported monthly sales, Wal-Mart Stores Inc. and Costco Wholesale Corp. posted solid gains. But July results for Wal-Mart, the world's largest retailer, fell slightly short of Wall Street forecasts. The company noted that shoppers are increasingly running out of money and projected that sales would slow in August as the benefits from the stimulus checks dry up. Many mall-based apparel stores including Limited Brands Inc., Abercrombie & Fitch Co. and Gap Inc. remained in a malaise. "Consumers are in a fair amount of pain," said Ken Perkins, president of research company RetailMetrics LLC. He worries that without the government stimulus money, shoppers won't have any incentive to splurge on back-to-school merchandise. "This is going to be a very promotional, challenging back-to-school season," he added. According to a preliminary sales tally by Thomson Financial, 12 of the retailers it tracks beat estimates while 19 missed expectations. The tally is based on same-store sales, or sales at stores opened at least a year. Those are considered a key indicator of a retailer's health since they eliminate any boost from newly opened stores. Consumers are finding that their paychecks are not keeping up with rising food and gas prices. They're also dealing with tighter credit, a housing slump that doesn't look like it will be ending anytime soon and a weaker job market. Such fears have dragged down consumers' outlook for the economy to the lowest level in decades, according to the Conference Board. A report on unemployment Thursday underscored the woes in the job market. The Labor Department reported that the number of newly laid-off people signing up for jobless benefits last week climbed to its highest point in more than six years as companies cut back. New applications for unemployment insurance rose by a seasonally adjusted 7,000 to 455,000 for the week ending Aug. 2, putting claims at their highest level since late March 2002. Facing these increasing financial worries, Americans have been shopping at lower-price alternatives - which has helped stores like Wal-Mart and Costco. But Thursday's sales reports show that even discounters, which had been the biggest beneficiaries of the stimulus checks in recent months, are facing tougher times. Wal-Mart reported a 3 percent gain in same-store sales for July, missing the 3.4 percent gain expected by analysts polled by Thomson Financial. The results excluded gasoline sales. Including gasoline results, same-store sales would have been up 3.7 percent. The discounter said that same-store sales increased in grocery, entertainment, and health and wellness, but that its home and apparel business posted small declines. Wal-Mart noted that it saw sales momentum building in back-to-school offerings across the store and expects the momentum to carry through the August period. Still, the company forecast only a modest same-store sales gain of 1 percent to 2 percent for August. "With the end of the stimulus checks, we know consumers are spending more cautiously, and we continue to see a pronounced paycheck cycle at the end of the month," Eduardo Castro-Wright, president of Wal-Mart's U.S division, said in a statement. Chief rival Target Corp., which has been stumbling in recent months, said that same-store sales slipped 1.2 percent, worse than the 0.3 percent decline that Wall Street expected. The discounter has a higher percentage of nonessentials like clothing and home furnishings compared to Wal-Mart. But wholesale club operators keep turning in results that beat Wall Street estimates. Costco reported a 10 percent increase in same-store sales, beating the 7.8 percent estimate from analysts. Excluding gas prices, same-store sales would have been up 6 percent. BJ's Wholesale Club Inc. reported a 16.7 percent gain in same-store sales, better than the 12.9 percent increase that Wall Street forecast. The results included a contribution from gasoline sales of 9.7 percent. Mall-based apparel stores and department stores floundered as shoppers appear to be buying only what they need. Among department stores, J.C. Penney Co. reported a 6.5 percent same-store sales decline, dragged down by weak demand for fine jewelry and home items. Analysts had expected a 5.8 percent decrease. Limited Brands reported a 5 percent decline in same-store sales, though results were better than the 7.4 percent drop Wall Street expected. Gap suffered an 11 percent same-store sales drop in July, a larger decline than the 7 percent decline analysts had expected. Pacific Sunwear of California posted a 4 percent drop in same-store sales, worse than the 0.4 percent estimate from Wall Street. **(AP)**

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Cherry Creek Rolling Along

Cherry Creek is on the brink of another transformation that will bring several new hotels, shops and office buildings to the tony district over the course of the next five years. "There's always one place in a city where it seems like it's decent to do business, and there's always a frenzy to find something to do there," said developer Rick Campbell of Vallejo Investments. Campbell plans to spend up to $100 million developing a 100-room boutique hotel on top of ground-floor retail and underground parking on the site of the former Cook's Mart at 3000 E. Third Ave. Developer Eric Bush's plans for redeveloping the block east of Steele Street between First Avenue and Ellsworth Avenue include a 200-room hotel, office buildings and retail. He also would like to build a pedestrian bridge across Steele to Cherry Creek Shopping Center and another across First Avenue connecting the project, called Steele Creek, to Cherry Creek North. Bush had another site, at 275 Clayton St., but sold it within six weeks of buying it. Bush credits the high-end developments of Clayton Lane, a residential, retail and office development; Pura Vida, a upscale fitness center and spa; and NorthCreek, luxury condominiums on top of high-end retail, with sparking the latest wave of redevelopment in Cherry Creek North. "All those developments set the bar very high," he said. "We've had many of the most well-known hoteliers, retailers and restaurateurs in the country inquiring about space at Steele Creek." Developer Don Sturm took a big risk when he did not renew leases for Janus and the Tattered Cover. He spent $18 million redeveloping the buildings he owns and the investment paid off. "In the last 18 months, we have signed leases that will produce $67 million in gross revenue over the lease term," said Sturm, who was able to increase his lease rates after the renovations. Of the 223,000 rentable square feet of office space Sturm owns, only 4,500 square feet is available. Of the 19,000 square feet of retail space, 5,700 square feet is available. Sturm's tenants include Factory Design Labs, Pura Vida, West Elm Furniture, American National Bank, Land Title Guarantee Co. and KSL Capital Partners. In addition to its NorthCreek project, Western Development owns the property at 234 Columbine St., where it will develop underground parking, retail space and residences after its tenants' leases expire, said David Steel, president of the company. Western Development also has another property under contract, but Steel declined to reveal the location. Others waiting out leases are Evan Makovsky, who owns the Phillips 66 site at East First Avenue and

Steele Street, and Bill Moore, who owns the Village Inn building at 222 Columbine. Makovsky declined to disclose his plans for the site. Moore said he hasn't decided what to do with the site, because the leases don't expire until 2013. The U.S. Postal Service will move out of the building it occupies at 245 Columbine St. when its lease expires in September. Building owner Jim Heimbecher said he will demolish the building but does not have specific plans for the site. The families that own the property at 212-222 Milwaukee St. are considering selling the property or teaming up with a developer to redevelop it. "Clearly a 50-year-old office building is not the highest and best use," said Brian Stein, one of the family members. "Many family-owned properties are giving serious consideration to the opportunities." FirstBank Holding Co. has teamed up with The Pauls Corp. to redevelop the 100 block of St. Paul Street. The bank will replace its existing building on the site and build a mix of retail, offices and residential, said Dave Baker, chief operating officer at FirstBank. "We need to make sure we have a very good, convenient bank site for our customers," he said. "This will be a very high-quality project." Two years ago, the boutique shopping district saw a wave of redevelopment and speculation, partly triggered by the success of developer Randy Nichols' Clayton Lane project. National chains such as Crate & Barrel, White House Black Market and Lucy joined the district's eclectic mix of boutiques and restaurants. The old Sears store was remodeled and a JW Marriott opened in 2004. As the area gives way to the next wave of development, the Cherry Creek North Business Improvement District is working on a plan to enhance the image of the 16-block district. It includes new graphics and sign age that will enhance the recognition of the named streets and will pay special attention to Josephine Street and First Avenue on the perimeter of the district. It also would like to dress up the gateway to the district from Colorado Boulevard. Fillmore Street will be transformed into a park between First and Second avenues, serving as the hallmark of the district. An ice skating rink will be located in the Fillmore park or in another plaza to be developed at Fillmore Street and Third Avenue. "It's got the legacy; it's got the select buildings that are gems," said Todd Johnson, principal of DesignWorkshop, which is working on the plan. "It just needs a makeover." The enhancements will be paid for through an $18.5 million bond issue. **(Denver Post)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	2.00	2.00	5.25
3 MONTH LIBOR	2.80	2.79	5.35
PRIME RATE	5.00	5.00	8.25
10 YEAR TREASURY	3.94	3.82	4.77
30 YEAR TREASURY	4.55	4.42	5.01