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MARKETS SEEK SIGNS OF OPTIMISM IN EARNINGS REPORT TODAY, B3

GM profit
drops sharply

B11

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REPORT ON BUSINESS

CANADA'S BUSINESS NEWSPAPER ■ FOUNDED 1962 ■ GLOBEANDMAIL.COM ■ THURSDAY, APRIL 19, 2001

▲ TSE 300 8,131.17 +312.11	▲ S&P/TSE 60 474.42 +20.16	▲ CDNX 3,021.71 +35.14	▲ DJ Industrial 10,615.83 +399.10	▲ S&P 500 1,238.16 +46.35	▲ Nasdaq comp. 2,079.44 +156.22	▲ Gold (NY,US\$) \$261.30 +0.20	▼ Crude (NY,US\$) \$27.95 -0.29	▼ Dollar (US\$) 63.97 -0.02	▼ Euro (C\$ buys) 0.7225 -0.0056	▼ US 10-yr bond 5.14% -7 pts.	▼ Cdn 30-yr bond 5.89% -3 pts.
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NATIONAL

Bre-X trial request

The OSC's attempt to get a new judge and new trial for its case against former Bre-X Minerals Ltd. geologist John Felderhof is not unprecedented, the lawyer handling the case said yesterday. **B3**

Bookstores for sale

Chapters and Indigo Books & Music have agreed to put several bookstores up for sale, as part of an agreement with federal competition authorities to pave the way for the booksellers' merger. **B2**

Power pay packages

Power Financial Corp. chief executive Robert Gratton pocketed \$11-million in total compensation last year, a jump from the \$2.1-million he made in 1999. **B4**

Falconbridge results

Falconbridge barely eked out a profit in the first quarter, earning 1 cent a share compared with 60 cents a year ago. **B4**

Parts makers pushed

Canadian auto parts makers are advised to concentrate on trying to win business from offshore-based car makers whose market share is growing. **B5**

INTERNATIONAL

Airlines report losses

U.S. airlines reported hundreds of millions of dollars in first-quarter losses yesterday, as the sagging economy led their best customers, including businesses, to cut back on travel spending. **B10**

AOL Time Warner reports

In its first quarter as a merged company, AOL Time Warner Inc. met most of its financial targets, driven by strong growth at America Online and Time Warner Cable, and renewed its pledge to meet its aggressive full-year goals. **B11**

E-BIZ

Mosaid shares jump

Mosaid Technologies stock jumped after the semiconductor maker announced a licensing agreement it says will bolster its legal claim to royalties from the industry's largest manufacturers. **B16**

Oracle's unclear signals

Analysts remain cautious about software giant Oracle Corp., not only because of the downturn in the technology sector but also because of a lack of clear guidance from the company. **B16**

TIW makes statement

Telesystem International Wireless is trying to renegotiate a credit line after banks refused to advance it money last month. **B7**

ON THE WEB

The morning note

Respectable financial results from IBM and Apple late yesterday suggest the market rally may continue. Posted every weekday by 8:45 a.m. EDT.



The first look at
today's market action
globeandmail.com

Markets cheer Fed

U.S. rate cut shocker ignites fire under indexes

BY DAVE EBNER

The U.S. Federal Reserve Board's shock interest rate cut set North American markets aflame yesterday as investors, convinced the tide has turned, poured money into technology issues and the broader market.

All told, the rally drove the Toronto Stock Exchange 300 composite index to 8,131.17, up 312.11 points or 4 per cent. In the United States, the tech-fuelled Nasdaq Stock Market composite index soared to 2,079.44, up 156.22 points or 8.1 per cent — the fourth-best percentage gain in its 30-year history. Since April 4, the Nasdaq has risen 27 per cent.

Major Canadian tech stocks went wild. **Celestica Inc.**, a contract electronics manufacturer, soared 28.2 per cent to \$66.95. **Research In Motion Ltd.**, which makes wireless two-way e-mail devices, jumped 23.2 per cent to \$55.60. And telecom equipment maker **Nortel Networks Corp.** rose 16 per cent to \$27.50.

INSIDE

- **FULL COVERAGE:** Dollar roiled, exports down, Mathew Ingram. **B8-9**
- **BUSINESS COMMENT:** Call it the 'Cisco cut,' says Bruce Little. **B12**
- **MONEY & MARKETS:** Celestica shares go celestial, Rob Carrick. **B15**

Mid-morning, the major indexes had already posted solid gains. Then the U.S. central bank shocked the markets with a surprise intermeeting rate cut, reducing its benchmark overnight lending rate by 0.5 percentage points to 4.5 per cent. It was the fourth cut this year. The rate now stands at its lowest mark in almost seven years.

"It [the rate cut] was effectively priced out of the market and that's how you get the maximum impact," said David Rosenberg, chief economist and strategist at Merrill Lynch Canada. "It just sends the point home: The Fed will do whatever it takes to put the economy back on a more even keel."

Chip maker **Intel Corp.** led the Dow Jones industrial average to 10,615.83, up 3.9 per cent or 399.10 points. That was the Dow's third-biggest point gain ever. The broader Standard & Poor's 500 index rose to 1,238.16, up 46.35 points or 3.9 per cent, a move that pulled the index out of bear market territory. In sum, the U.S. market gained almost \$500-billion (U.S.) yesterday, as measured by the Wilshire 5000 total market index.

Merrill's Mr. Rosenberg believes the markets are now moving beyond the most recent bear market lows even though companies are reporting the worst year-over-year profits in a decade, a trend expected to continue into the second quarter.

"The market is a discounting mechanism," he said. "I've never found a period where the market hasn't bottomed before profits do."

See FED on page B9

Greenspan weaves his magic in mysterious ways

BRIAN MILNER
TAKING STOCK

No one can accuse Federal Reserve Board chairman Alan Greenspan of being predictable. After talking up a quick recovery for the U.S. economy, the chairman had the markets convinced that there would be no further easing of monetary policy ahead of the next scheduled Fed policy-setting meeting May 15.

So, just as Wall Street's finest step up their criticism of the once infallible central banker, what does Alan the Magician do? Why, he pulls off another of his carefully timed tricks, slashing interest rates by half a percentage point and all but signalling that more of the same lies ahead.

Such between-meeting action has occurred only three times since the current system was put in place in 1994, two of them this year alone. Plainly, the stumbling U.S. economy lacks the legs to climb out of this trough on its own.

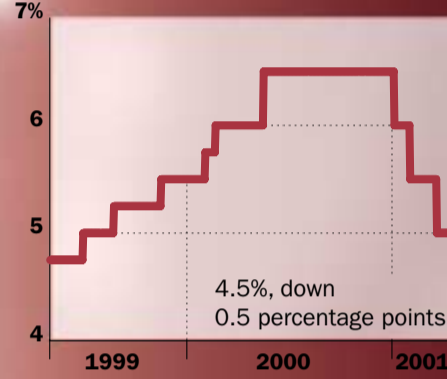
Can there be any further doubt about the economy's feeble condition when the Fed takes such emergency action? What are we to make now of the bullish prattle that continues from Fed officials?

Just yesterday, Anthony Santomero, president of the Federal Reserve Bank of Philadelphia, insisted an economic recovery is "just around the corner." Reportedly, he was one of eight of the dozen regional bank chiefs pushing internally for rate relief.

Needless to say, bond, equity and currency players were caught off guard by the stunning move. Like the surprise cut of Jan. 3, it came precisely when the markets appeared to be sliding into the abyss.

See GREENSPAN on page B8

The Fed's surprise cut...

Federal funds rate
Daily, %

...drove up stocks...

TSE 300 composite index
15-minute intervals

...especially tech shares.

Nasdaq composite index
15-minute intervals

-1/2%
FED FUNDS RATE DROP

Source: Bloomberg Financial Services DOUG COULL & CARRIE COCKBURN/The Globe and Mail

IBM, Apple results elate investors

BY STEVEN CHASE
TECHNOLOGY REPORTER, VANCOUVER

International Business Machines Corp. and **Apple Computer Inc.** cheered investors with solid results after markets closed yesterday, perhaps setting the scene for another day of stellar gains in beaten-down technology stocks.

IBM met the Street's expectations while Apple far exceeded them, enough to prompt investors to drive both stocks up sharply in after-hours trading.

"I think the reports of the personal computer's death are greatly exaggerated. My gut feeling is I think some of this strength will carry through," said Thomas Caldwell, chairman of Caldwell Securities Ltd. in Toronto.

"Is the market turning here and going north once and for all? It's too soon to say that just yet."

Global computer giant **IBM** of Armonk, N.Y., which has not lowered earnings forecasts this year like its peers, said it is confident it can steer through choppy waters ahead.

See IBM on page B2

- **HP lowers forecasts, plans 3,000 job cuts. B10**
- **New AOL meets most targets. B11**

CIBC, Sympatico launch Web bank

BY KAREN HOWLETT
AND PATRICK BRETHOUR, TORONTO

Canadian Imperial Bank of Commerce and **Sympatico-Lycos Inc.** have joined forces to create a no-fee Web bank, marking the first step in a much anticipated race by dot-coms to reshape the consumer banking sector.

CIBC's electronic banking unit and Internet portal Sympatico unveiled the new bank, known as Amicus Financial, at a news conference yesterday. The partnership between Canada's third-largest bank and a subsidiary of giant **BCE Inc.** of Montreal comes as other revenue-hungry Web companies look at entering the sector, industry players say.

"What we are seeing now is the start of the next 10 years in banking," David Marshall, CIBC's vice-chairman of electronic banking, said yesterday following the news conference.

See BANK on page B2

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