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Daily Market Musings • Archive
Daily Stock Watch List • Archive

Technical Notes
Stock Selection in Down Markets
Selling Rules
Dow Jones Earnings
Gold Stocks
Homebuilders
Shorting Strategies
Foreign Bank Accounts
Portfolio Review
CRB Changes \

Credit Default Swaps
Economic Indicators
Accumulation/Distribution Data
Portfolios
Aggressive
Conservative
Core
ETF
Precious Metals
Renew Subscription

Market Musings

01/16/2009 After the Close



A weak morning, afternoon rally but volume remained low.

Markets Diary				6:10 p.m. EST 01/16/09
Issues	NYSE	Nasdaq	Alternext	
Advancing	2,029	1,518	372	
Declining	1,065	1,226	210	
Unchanged	91	152	57	
Total	3,185	2,896	639	
Issues at				
New 52 Week High	4	6	6	
New 52 Week Low	37	54	11	
Share Volume				
Total	1,609,421,032	2,241,460,435	11,262,550	
Advancing	1,017,170,900	1,519,997,033	7,347,970	
Declining	574,209,012	643,006,795	2,951,080	
Unchanged	18,041,120	78,456,607	963,500	

Although advancing issues and volume dominated today's trading, it did not feel like a market that was about ready to lift out of the trading channel which we have been in for a few weeks. All of the major indices remain in the red for the year despite the results of the last two trading days.

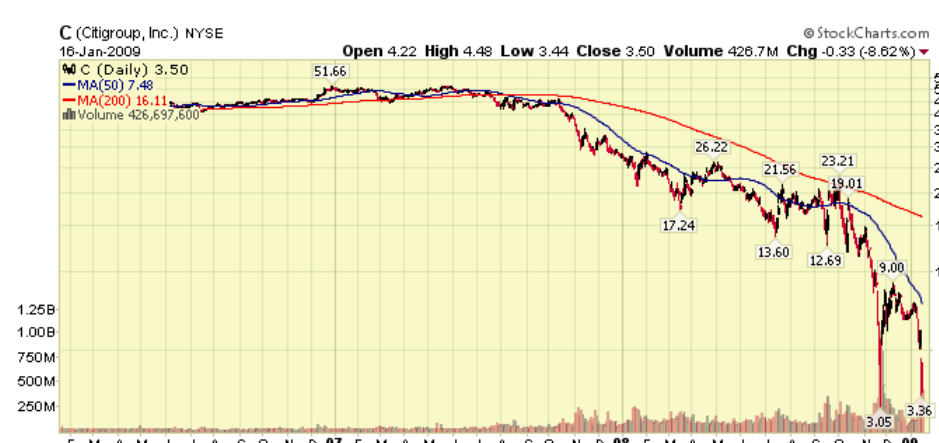
Market Summary				
	12/31/08	1/16/09	Change	%
AMEX Comp	1397.53	1,383.19	-14.3	-1.0%
DJIA	8776.39	8,281.22	-495.2	-5.6%
HUI	302.41	274.81	-27.6	-9.1%
Nasdaq 100	1211.65	1,198.14	-13.5	-1.1%
Nasdaq Comp	1577.03	1,529.33	-47.7	-3.0%
NYSE Comp	5757.05	5,387.50	-369.5	-6.4%
Russell 2000	499.45	466.45	-33.0	-6.6%
S&P 400	538.28	516.75	-21.5	-4.0%
S&P 500	903.25	850.12	-53.1	-5.9%
S&P 600	268.73	247.89	-20.8	-7.8%

The Obama partisans in Congress are sure that a \$885 billion additional stimulus will reverse the deleveraging process and put the country firmly on the road to socialism. Of course, they are not concerned with adding \$2 trillion additional debt onto the backs of the taxpayers.

The entire bailout is nothing but stupidity and cronyism at work by individuals who have little faith in the capitalistic system. People that work hard, save, and read their contracts with banks and other financial institutions are getting royally shafted ... I am afraid that the republic is in deep trouble.

The government extended to Bank of America an additional \$138 billion which includes a cash payment of \$20 billion and loan guarantees \$118 billion. The company's dividend was lowered to \$.01 vs. \$32. The government's actions were taken to help the bank absorb loan losses associated with the Merrill acquisition, BoA CEO Lewis said it was in the best interest of the country and their shareholders to go forward with the original terms of the deal. **The bank announced that they lost \$1.79 billion in the fourth quarter which does not include a \$15.3 billion loss at Merrill.** Why aren't not the shareholders of Bank of America screaming for the heads of the bank and the board of directors. What happened to the concept of due diligence and responsibility?

The following charts of JPM, BAC and C should be a warning to every depositor and/or shareholder of these institutions.



There were rumors heard on several blogs that BAC and C might be nationalized over the weekend or that a bank holiday might be imposed. Remember that Monday is a national bank holiday ... perhaps, obtaining a little extra cash in the next few hours would be prudent ... after all, going to the Obama inauguration is

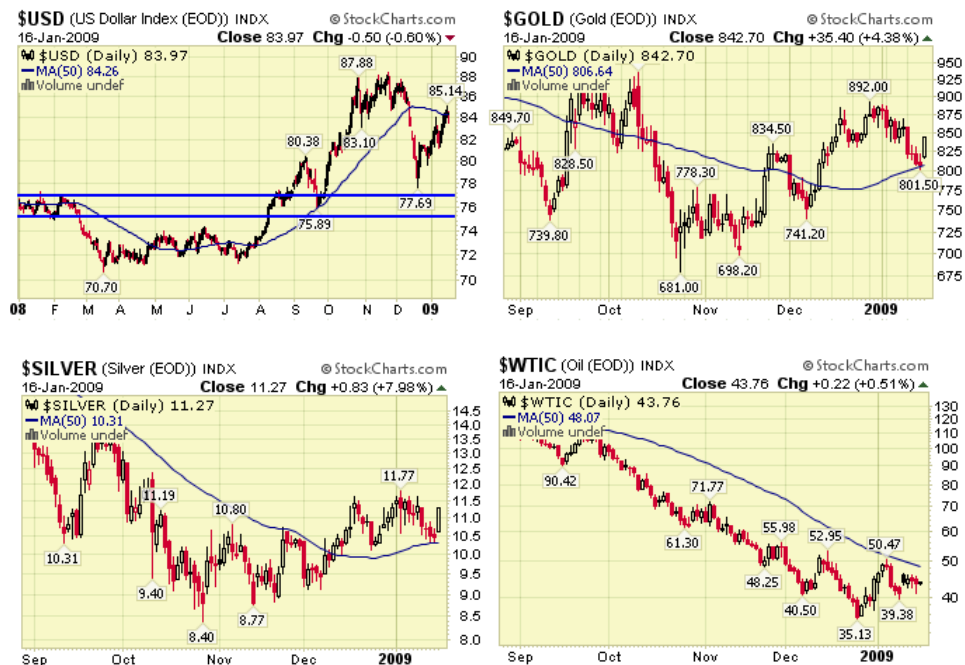
bound to be expensive.

Reduction of consumer spending helped the consumer price index to fall while industrial production took a bath. Falling energy prices enabled consumer sentiment to edge slightly higher.

Foreign interests reduced their holdings of long-term U.S. securities in November by \$21.7 billion. The reductions were from both governments and individuals. Looks like the U.S. Treasury might be in a wee bit of trouble trying to finance over \$2 trillion of new debt in this fiscal year if foreign investors start liquidating their U.S. holdings.

Net capital inflows in November to the U.S. fell to \$56.8 billion from \$260.6 billion in October 2008.

The U.S. dollar index took a fall today dropping 50 cents. Gold moved higher closing at 842.70. Silver also moved up to 11.27. Crude oil was slightly higher today.



We made no changes in the portfolios today. Have a great weekend!

01/15/2009 After the Close



The markets ended up despite bad economic data.

Markets Diary			
		5:54 p.m. EST 01/15/09	
Issues	NYSE	Nasdaq	Alternext
Advancing	1,670	1,601	259
Declining	1,440	1,177	308
Unchanged	83	149	56
Total	3,193	2,927	623
Issues at			
New 52 Week High	2	4	1
New 52 Week Low	81	92	11
Share Volume			
Total	1,634,640,234	2,484,361,585	12,016,232
Advancing	882,708,560	1,668,979,164	5,140,842
Declining	722,984,074	791,448,864	4,848,790
Unchanged	28,947,600	23,933,557	2,026,600

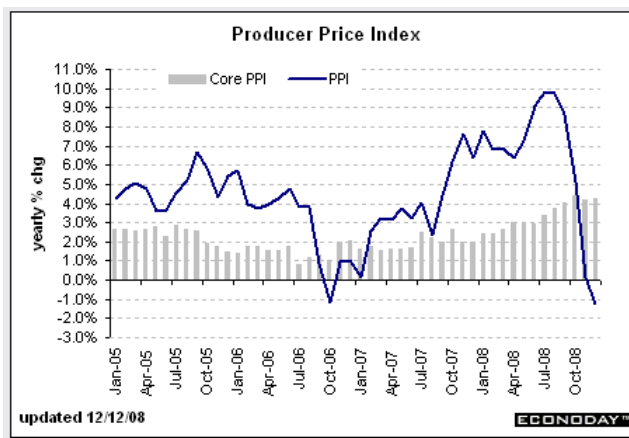
Bank of America is now back at the bailout window seeking funds to help swallow the Merrill Lynch purchase. Some analysts are warning that Bank of American could take a \$20 billion loss in the last quarter. And JPM is perhaps now realizing that some of the bargain basement purchases it made last year were cheap for a reason as it reported a 76% drop in profits for the latest quarter. More taxpayer money down the tubes.

Rumors circulated today that Bank of America and the banking industry might need \$200 billion in additional capital or guarantees from the government on bad loans.

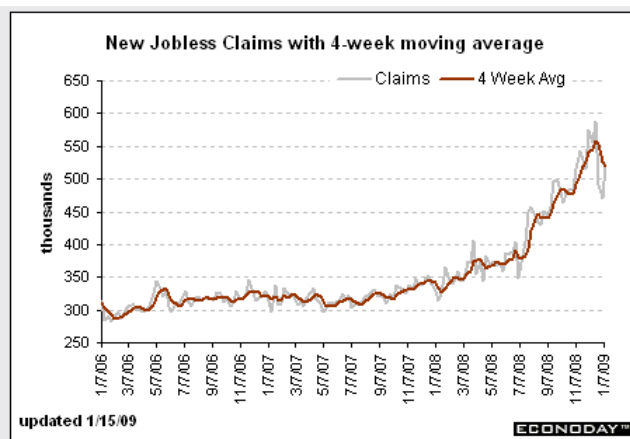
Another one was that Citibank would be nationalized over-the-weekend. You have to wonder about the due diligence performed by Citi when it paid Pandit \$800 million for his Corporate Special Opportunities hedge fund which is not worth about 3 cents on the dollar to investors and Citi is losing another \$450 million in credit lines and \$320 million in equity it added to the fund.

Of course, the fact that JPM has about 50% of all the derivatives outstanding is not considered relevant by many investors. But it will become relevant in the near future.

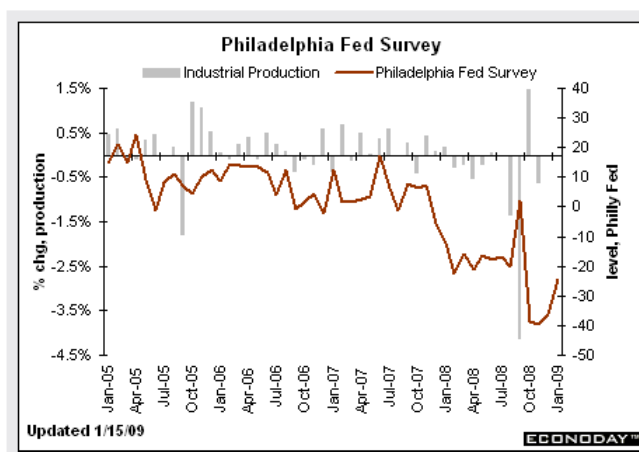
The producer price index fell as energy prices dropped. On a yearly basis, the PPI is now in negative territory.



The economy continues to show weakness as new jobless claims increased in the latest week to 524,000 vs. 470,000 last week. Continuing claims fell to 4.497 million as benefits for many workers ran out.



Both the Empire State report and the Philadelphia Fed Survey continued to show an economy in contraction although the rate of contraction slowed as shown in the following chart. The Empire State report was down for the fifth consecutive month.



GM is cutting its estimate for 2009 U.S. auto sales to 10.5 million units, the lowest in 27 years. Of course, a major problem for many industries including auto's is a large amount of over-capacity.

One of the constraints upon the market has been the withdrawal of \$150 billion from hedge funds in December. The hedge funds industry has now shrunk to about 50% of the funds under management just a year ago.

We made no changes in the portfolios today.

01/14/2009 After the Close



Going down, down, down ...

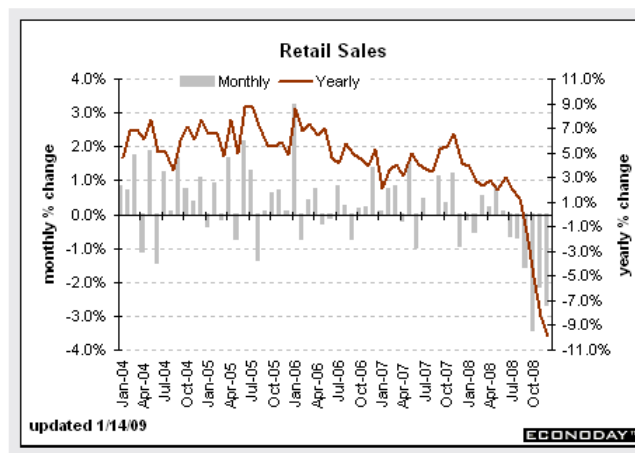
Markets Diary				4:26 p.m. EST 01/14/09		
Issues	NYSE	Nasdaq	Alternext			
Advancing	318	477	118			
Declining	2,793	2,263	389			
Unchanged	45	117	54			
Total	3,156	2,857	561			
Issues at						
New 52 Week High	3	1	4			
New 52 Week Low	48	64	12			
Share Volume						
Total	1,418,326,886	1,946,773,046	12,000,715			
Advancing	47,148,810	140,403,293	1,494,800			
Declining	1,369,854,576	1,799,368,369	9,288,515			
Unchanged	1,323,500	7,001,384	1,217,400			

The market gapped down and then managed to close at or near the lows for the day. While volume picked up on the NYSE, it was down on the NASDAQ suggesting that panic and/or capitulation is still not here.

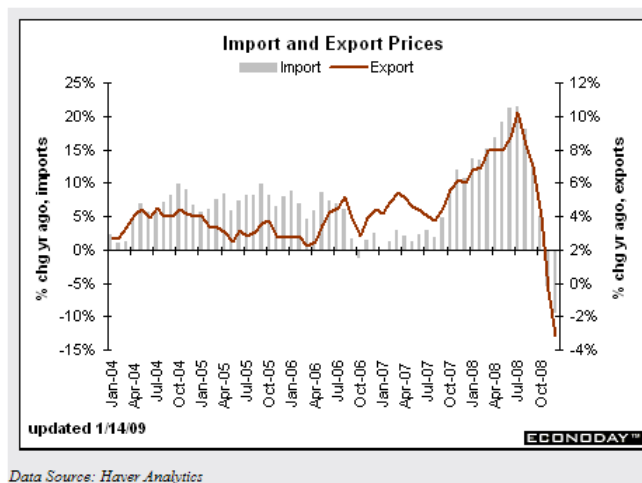
Every major index we track is now in the red for the year ... not a good way to start. December's retail sales report began the slide at 2.7% down from November for a sixth straight month of declines. Year/year retail sales are down 7.9% with ex-auto's down 5.6% suggesting the consumer is drawing in their horns.

Released On:	Percent of Total	Monthly percent change					
		Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09
Released For:	of Total	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Retail Sales & Food Services	100%	-0.6%	-0.7%	-1.6%	-3.4%	-2.1%	-2.7%
Sales ex autos	81.4%	0.1%	-1.1%	-0.7%	-2.9%	-2.5%	-3.1%
Sales ex autos less gasoline	70.1%	0.1%	-0.8%	-0.7%	-1.2%	-0.2%	-1.5%
Motor vehicle dealers	18.6%	-4.2%	1.4%	-5.8%	-5.9%	-0.3%	-0.7%
Furniture & home furnishing stores	2.5%	-0.7%	-2.9%	-2.0%	-1.7%	-0.8%	-1.8%
Electronics & appliances	2.5%	-0.5%	-2.7%	-0.9%	-2.5%	1.5%	-1.0%
Building materials	7.2%	0.4%	-2.0%	-0.7%	-2.2%	-2.8%	-2.9%
Food & beverage stores	12.9%	0.2%	0.6%	-0.3%	-0.5%	-0.1%	-1.4%
Health & personal care	5.4%	0.1%	0.1%	0.6%	0.1%	0.5%	0.4%
Gasoline stations	11.2%	0.0%	-3.0%	-0.1%	-13.1%	-18.3%	-15.9%
Clothing & accessories	5.0%	0.4%	-0.7%	-4.1%	-2.5%	0.1%	-2.5%
Sporting goods, hobby, etc	2.0%	-0.5%	-0.1%	-2.3%	-3.0%	2.1%	-0.4%
General merchandise	13.1%	0.0%	-0.7%	-0.7%	-0.9%	0.8%	-1.3%
Miscellaneous retailers	2.6%	2.1%	-3.4%	-0.2%	-0.2%	-2.9%	0.5%
Nonstore retailers	7.0%	-0.1%	-2.2%	-0.8%	-2.3%	-1.9%	-1.9%
Food services & drinking places	10.1%	0.1%	0.2%	0.2%	-0.7%	1.0%	-2.2%

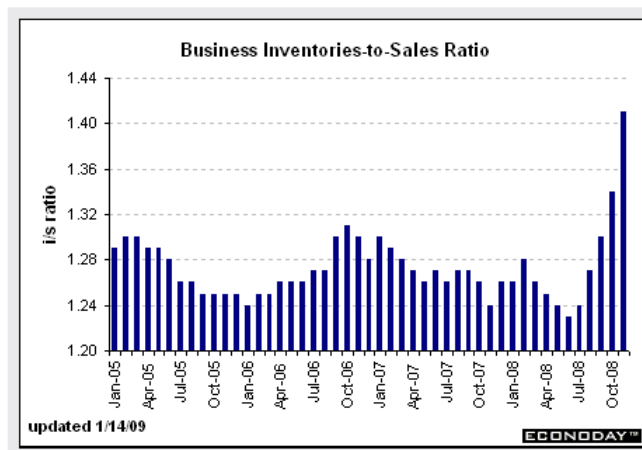
Data Source: Haver Analytics



Export/Import prices continued to fall as world-wide demand is disappearing.

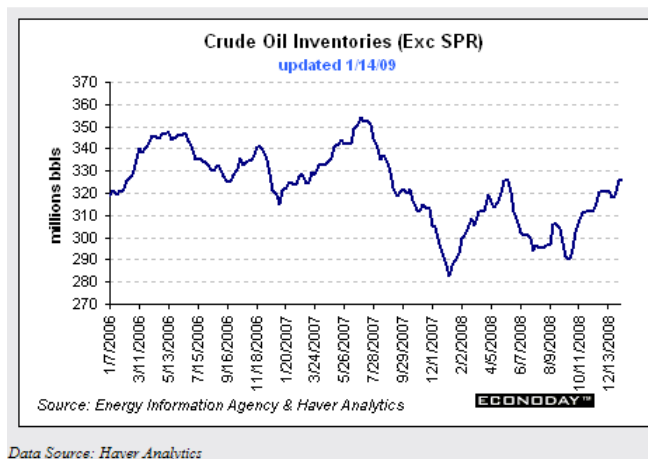


As sales have turned down, sellers have found it difficult to reduce inventory levels and the business inventory to sales ratio continues to move higher as shown in the following chart.



Lower interest rates helped boost refinancing activity but did little for new and existing home sales.

Crude oil inventories continued to rise during the latest week as demand continues to decline ... a trend that should see oil prices fall further.



The Fed's Beige Book was released today for the next FOMC meeting. They should change the title to the "Black and Blue Book." It reported gloomy conditions for the economy across a wide range of the economy with employment declining further and a housing industry that still is looking for a bottom.

We sold from the Aggressive portfolio today DE and BUCY. We made no other changes in the portfolios

today.

01/13/2009 After the Close

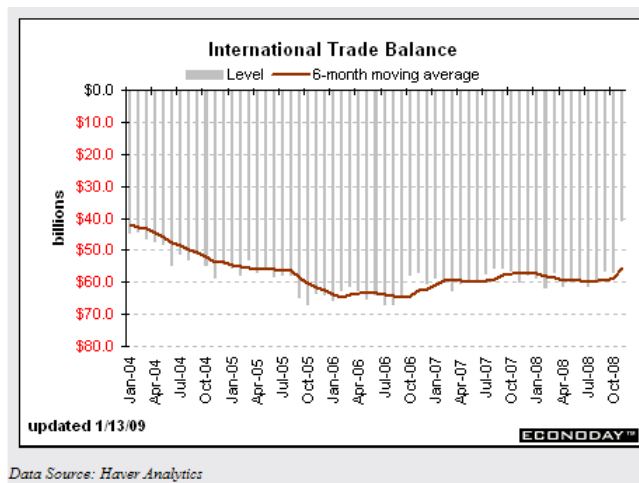


The market is in correction ... so much for the O.E.R.

Markets Diary			
5:57 p.m. EST 01/13/09			
Issues	NYSE	Nasdaq	Amex
Advancing	1,659	1,534	286
Declining	1,462	1,238	290
Unchanged	83	145	62
Total	3,204	2,917	638
Issues at			
New 52 Week High	0	2	1
New 52 Week Low	18	32	7
Share Volume			
Total	1,298,658,993	1,972,254,968	10,362,853
Advancing	729,632,823	1,157,644,668	3,727,680
Declining	555,071,570	794,187,026	5,334,573
Unchanged	13,954,600	20,423,274	1,300,600

After yesterday's downdraft, today saw the markets struggle to contain the damage. Volume on the NYSE was about the same as Monday while it increased about 10% on the NASDAQ. The number of issues advancing was higher than their counterparts. As a result, the market ended mixed.

The trade gap in November shrank sharply to \$40.4 billion from a revised \$56.7 billion in October reflecting a drop in energy prices as U.S. consumer demand declined. U.S. Exports also shrank as worldwide demand was also constrained.



Retail sales continued to weaken in the w/e January 10th and fell lower than the consensus estimates for both of the major reports.

The downturn in business activity can be seen everywhere. Grim news is pouring out of nearly every corner of the world including China, Japan, the Philippines, the U.S., New Zealand, and the UK. Almost every forecast of activity issued within the last 60 days is being revised downward. The deleveraging is getting serious.

Sentiment of small U.S. business posted its second lowest reading in 35 years according to the National Federation of Independent Business. The report stated that "profit trends are terrible, and since 80% of costs are compensation costs, owners had no choice but to trim jobs ..."

Speaking in London, Helicopter Ben suggesting that even more money might be required to turn the economy around. Some people just never learn ... and particularly, those who don't believe in a capitalistic system. According to CNBC.com,

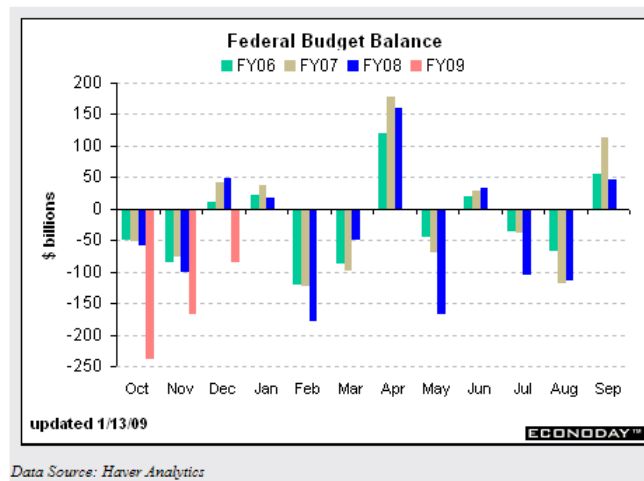
"Federal Reserve Chairman Ben Bernanke said Tuesday fiscal stimulus alone would not be enough to promote a lasting U.S. economic recovery and that further steps to backstop banks may be needed."

Bernanke wants everyone to understand crystal clear that we had better not go thinking we have thrown enough money into the bank garbage heap, and that now it might be time to go fix the real economy. No, instead, he's insisting we have not spent nearly enough, and must resurrect the old TARP 1.0 idea -- monetize banking bad assets directly. Presumably, nothing will be "too much" to spend on the failing banks.

Likely the vacillation this reversal represents, plus the inevitable quality hit to US sovereign debt, is why Treasuries are actually down on the latest ill wind from Bernanke's word-hole.

Placing more debt onto a financial system already in bankruptcy, will not enable the financial system to avoid bankruptcy ... it will just increase the pain and hasten the demise.

The Treasury budget has now accumulated a deficit of only \$485 billion in the first quarter of FY 2009 ... equal to the previous FY's entire deficit. Moreover, it represents almost half of the Congressional Budget Office's initial expected deficit for FY 2009 ... perhaps, they will need to revise that figure.



Standard & Poor's affirmed U.S. AAA rating, but said risks to the country's top sovereign rating have increased "noticeably" since September. S&P's "reasonable worst-case scenario" sees net general government debt rising from its 2008 level of 42% of GDP to as much as 75% by 2011. You have to wonder whether S&P issued this rating with a straight face ... obviously, the U.S. does not qualify based upon the criteria.

The U.S. dollar index gained a whole dollar today. The yield on the 10 year Treasury fell to 2.3% while the LIBOR rate dropped to 1.09%. Crude oil was up slightly.

The Treasury market for U.S. bonds remains treacherous for bond-holders. Rates rarely stay this low and when they do begin to rise, watch out.

Today, we sold TSCO and CAT from the Aggressive portfolio. We also sold TWGP from the Conservative portfolio which places the Conservative portfolio 100% in cash. There were no other changes in the portfolios today.

Yesterday, we were trying to recover from a computer virus picked up on the trip and the Musings page did not have all the links. We trust that today's is back to normal.

Today, we sent notices via email to the Marina del Rey attendees about accessing files. Also, we sent everyone an email about access to the 2008 portfolios.

There remain a few seats for both the Dallas January 24 Stock Selection Strategies meeting and the Houston February 13 workshop. Go to the Upcoming Events and register if you want to attend. We limit attendance at the workshops.

01/12/2009 After the Close from Dallas



The slide continues.

Markets Diary			
5:55 p.m. EST 01/12/09			
Issues	NYSE	Nasdaq	Amex
Advancing	732	681	247
Declining	2,376	2,115	366
Unchanged	76	112	50
Total	3,184	2,908	663
Issues at			
New 52 Week High	3	4	3
New 52 Week Low	16	26	7
Share Volume			
Total	1,297,603,553	1,770,550,145	14,287,544
Advancing	140,762,490	222,011,845	3,518,880
Declining	1,151,695,863	1,532,901,915	9,829,164
Unchanged	5,145,200	15,636,385	939,500

Another distribution day for the Big Board today. Declining volume on the NASDAQ kept that index from registering another distribution day. Nevertheless, the markets closed near their lows for the day.

We spent all of Sunday and Monday driving back from Marina del Rey, arriving in Dallas after 8 p.m. Today's Musings will be short. Listened to Bush's final press conference and found him taking a few swipes at the press.

Obama asked President Bush to request the final \$350 billion from Congress of TARP funds. UK Prime Minister Brown is trying to match the U.S. by announcing a \$750 million two year stimulus growth package ... and wants to remove transparency from currency being issued. And you have to wonder how Obama's stimulus plan will create all those new jobs ... few details are available ... in the meantime, Obama has moved from a \$750 billion stimulus creating 2.5 million jobs to a \$850 billion plan that would create 3 million. Then, in the latest version, his \$1 trillion stimulus will create 3 million jobs ... what a nice bubble Obama has put forth ... you have to wonder when any investigative reporter will begin to ask hard questions about the jobs expansion plans.

Citigroup is spinning off its Smith Barney brokerage to Morgan Stanley according to some reports. Bank of America expects to lose a few more billions in the latest quarter. JPM continues to march lower. Is it possible that JPM is getting ready to fail?

Crude oil fell to under \$38. Gold fell hard as commodities took a tumble. The yield on the 10 year Treasury note fell to 2.31% while the LIBOR rate fell to 1.16%.

We made no changes in the portfolios today.

01/09/2009 After the Close from Marina del Rey

With the rally under pressure, did today terminate the rally?

The markets closed the week at the lowest level of the year for many of the indices and at the lows of the day. The only saving grace was that volume was lighter than yesterday and no distribution days were added to the count.

The employment numbers were not good and the unemployment rate from the Ministry of Truth rose to 7.2%, the highest level in 16 years while the actual number of those losing jobs (2.6 million) in 2008 was the highest since WWII.

Moreover, January will probably be worse. Boeing is cutting 4,500 jobs, and GM is talking about huge layoffs to be announced shortly. Let alone all those part-time retail people who are getting pink slips after the dismal holiday shopping season.

The Obama stimulus package is running into problems with members of his own party in Congress. Is the honeymoon over before the inauguration?

As we have been unable to watch the markets during our travels this week, we decided to let the stocks play out without stop losses as the first few days of January are often full of gyrations. As Friday closed, we find that was not a good idea and should have executed our plan to have hard stops in place. Oh, well, we will be home on Monday and will begin to be more involved in the market.

We made no changes in the portfolios today.

Fred Richards
Strategic Investing

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Keep it Safe, Simple and Stay Focused!
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