# STRATEGIC INVESTING

A Service of Adrich Corporation

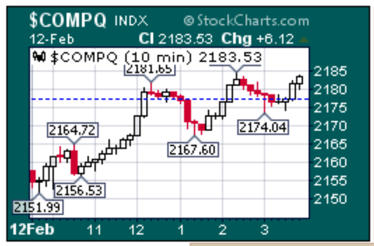
Strategic Investing focuses on stocks with increasing revenues and profits.
KISS + SF!

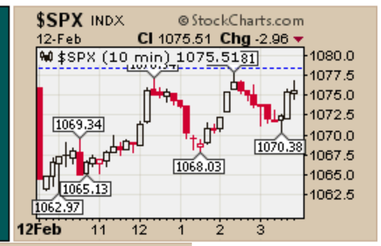
Daily Market Musings Archive
Daily Stock Watch List Archive
Technical Notes
Simple Timing Indicator
Market Trends
Portfolio Review
Stock Selection in Down Markets
Selling Rules
Power of 3
Dow Jones Earnings
Gold Stocks
Homebuilders
Shorting Strategies
Foreign Bank Accounts
CRB Changes
Economic Indicators
Accumulation/Distribution Data
Portfolios
Aggressive
Conservative
Precious Metals
Renew Subscription

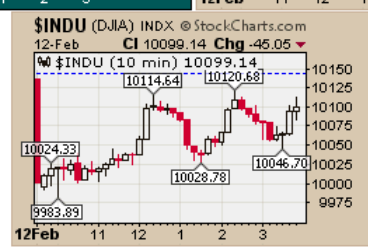
>> Your subscription will expire in **714 days** on January 31, 2012 <<

## Market Musings

## 02/12/2010 After the Close




## Mixed and rebalanced?

**Markets Diary** 6:08 p.m. EST 02/12/10

| Issues | NYSE | Nasdaq | Amex |
|---|---|---|---|
| Advancing | 1,622 | 1,573 | 241 |
| Declining | 1,415 | 1,070 | 227 |
| Unchanged | 111 | 137 | 47 |
| Total | 3,148 | 2,780 | 515 |
| **Issues at** | | | |
| New 52 Week High | 63 | 54 | 5 |
| New 52 Week Low | 7 | 17 | 4 |
| **Share Volume** | | | |
| Total | 1,426,814,029 | 2,256,618,427 | 16,774,136 |
| Advancing | 650,209,830 | 1,303,552,481 | 7,188,850 |
| Declining | 758,737,119 | 806,977,827 | 8,551,186 |
| Unchanged | 17,867,080 | 146,088,119 | 1,034,100 |

The wrath of nature struck Thursday evening ... snow, power and internet outages, trees damaged and we spent all day trying to get heat in the house and the car out of the driveway. We had the only gas range and the neighbors were happy to get hot water. It made the market seem unimportant as we were busy helping people cope with the all-time record snow storm for Dallas. It reminded me of Iowa winters.

For those with a chain-saw, it was a day to work and pile up the debris from the storm. The City of Richardson was going to have a trash holiday on President's Day (Monday) but decided in the interest of safety to mobilize all the sanitation workers to help with the cleanup.

Trading volume was up today but a large portion of it was the impact of index rebalancing thanks to the Berkshire Hathaway split. Advancing issues outnumbered declining issues although the major market indices closed mixed. The markets overcame a major sell-off at the opening but the advance failed to get the DJIA and S&P 500 into positive territory once during the day.

**Economic News**

Retail sales were reported as being higher in January by 0.5%. Inflation in gasoline and food prices accounted for 27% of the reported gain in monthly January retail sales. Since the MOT also adjusted November and December retail sales downward, the true impact of this report seems cloudy.

According to **ZeroHedge, there is about as much reliability in the Commerce Department's data as in the unemployment data from the Bureau of Labor Statistics**. For instance, the daily Gallup consumer polling shows a January decline of 5.8% over January 2009 and a 16.3% decline over December.

Once again, the GAAP-based financial statements of the U.S. Government were delayed. Originally scheduled for release on December 15th for the FY 2009 period, the new date is February 26th.

The preliminary February 2010 University of Michigan consumer sentiment data showed a decline from January's 74.4 to 73.7. Perhaps, it was just the weather causing the decline.

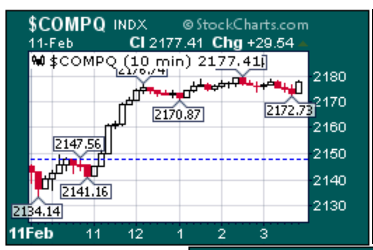
**Financial News**

The details of the supposed Greek assistance remains murky as the Germans continue to insist that they will not open their checkbook. The Germans are unwilling to extend financial aid "on legal grounds, on constitutional grounds and on principle". *Now that is somewhat refreshing to hear.*

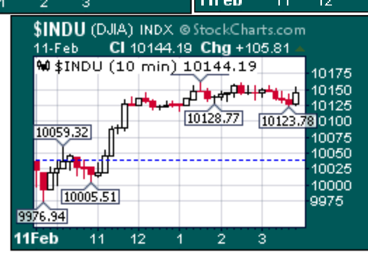
**Portfolio Comments**

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

## 02/11/2010 After the Close








## Greece bailout?

| Markets Diary | | | 4:34 p.m. EST 02/11/10 |
|---|---|---|---|
| **Issues** | **NYSE** | **Nasdaq** | **Amex** |
| Advancing | 2,337 | 1,975 | 316 |
| Declining | 692 | 679 | 129 |
| Unchanged | 104 | 115 | 43 |
| Total | 3,133 | 2,769 | 488 |
| **Issues at** | | | |
| New 52 Week High | 60 | 54 | 7 |
| New 52 Week Low | 6 | 17 | 3 |
| **Share Volume** | | | |
| Total | 1,075,706,625 | 2,135,369,259 | 13,100,083 |
| Advancing | 842,317,265 | 1,794,318,405 | 10,108,283 |
| Declining | 222,977,060 | 322,847,931 | 2,346,500 |
| Unchanged | 10,412,300 | 18,202,923 | 645,300 |

The EU ministers said that they would work with Greece and the markets immediately went higher ... of course, no specifics were mentioned ... but the Germans might have a major problem with the moral hazard issue ... it could cause the Merkel government to have major difficulties, if not worse.

The volume rose in the major indices over yesterday as they closed in higher territory. According to finviz.com, 72% of all issues advanced today. Will IBD call today's action ... a follow-through day?

**Economic News**

New jobless claims fell by 43,000 in the latest week ... of course, with all the winter storms, those wanting to file claims might have had some difficulty in finding the unemployment office. Continuing claims also dropped in the w/e January 30th to 4.538 million while emergency claims fell by 185,000. Those seeking extended benefits rose more than 13,000 to 236,000.

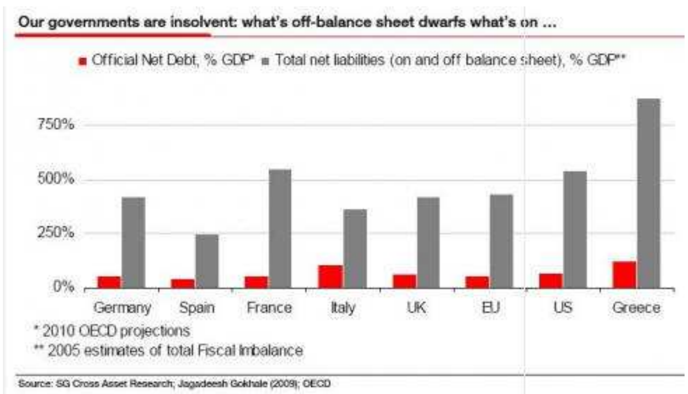
You did catch the $154 billion jobs bill Speaker Pelosi got through the House before the weekend recess with 39 Democrats voting against the bill. *The bill was nothing but mis-labeled.* The jobs bill would use $75 billion in money earmarked for the Wall Street bailout and redirect it to infrastructure investment and aid to states. The bill also extends the duration of the COBRA subsidy from nine months to 15 months, extends the deadline for eligibility from December 31, 2009 to June 30, 2010, extends by six months unemployment benefits that would have expired at the end of the year, and expands a child tax credit to 16 million families.

*Somehow I have to wonder about the White House claim that the Jobs bill will generate 95,000 jobs/month in 2010.* Since the recession started in December 2007, 8.424 million jobs have disappeared. At 95,000 jobs/month, it will take a few years to get back to the December 2007 level. *I guess that means the recovery will take awhile.*

The Treasury sold $16 billion 30 year bonds today at 4.72%. Direct bids were 24% while indirects only took 29% down from a recent average of 41%. *Guess that foreign investors and central banks are shying away from U.S. bonds.*

**Financial News**

If Greece is in trouble, then perhaps, we should look at some of the other countries. The only thing that I can conclude is that today's politicians and other policy-makers are complicit in trying to sweep major problems under the rug. Unfortunately, they just won't go away. More debt does not solve bad debt. **The following chart basically shows that most countries are bankrupt and eventually, someone may point out that the emperor has no clothes.**

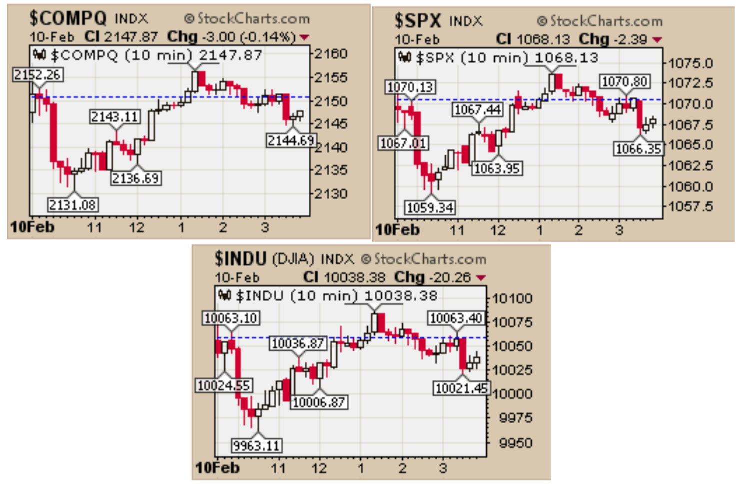



**Portfolio News**

JPM was sold from the Aggressive portfolio today as it violated its Action Point. There were no other changes in the portfolios.

Dallas is under a Winter Storm Watch with snow falling and we are expecting in excess of 8 inches with a freeze overnight which could well make driving difficult for all these southerners in the morning. It is the record snow for Dallas since records have been kept.

## 02/10/2010 After the Close




## No follow-through today

**Markets Diary** 5:56 p.m. EST 02/10/10

| Issues | NYSE | Nasdaq | Amex |
|---|---|---|---|
| Advancing | 1,535 | 1,292 | 232 |
| Declining | 1,521 | 1,315 | 243 |
| Unchanged | 103 | 146 | 35 |
| Total | 3,159 | 2,753 | 510 |
| **Issues at** | | | |
| New 52 Week High | 50 | 25 | 10 |
| New 52 Week Low | 10 | 18 | 6 |
| **Share Volume** | | | |
| Total | 920,094,501 | 2,059,948,536 | 14,468,267 |
| Advancing | 406,173,400 | 863,186,260 | 6,400,167 |
| Declining | 503,047,581 | 1,117,248,489 | 7,440,500 |
| Unchanged | 10,873,520 | 79,513,787 | 627,600 |

The market see-sawed and ended mixed as reduced volume showed the weakness of the rally effort. However, all the major indices ended in negative territory as the afternoon rally was unable to stay in positive territory.

**Economic News**

Sovereign debt concerns continued to be highlighted not only in Greece but now that the subject has surfaced it is rapidly bringing other countries under the spotlight.

Perhaps, it was just the winter storms that had the Mortgage Bankers Association report showing a 7.0% decrease in the latest week. However, refinancing applications rose 1.3% as some home-owners try to reduce their interest costs.

The ten year Treasury Note auction for $25 billion was somewhat disappointing at a rate of 3.625%. Indirect bidders were soft at 33% versus an average of 41%. Direct bidders only took 12.9% versus 17.2% in the last auction. The large amount of on-going public debt auctions may be taking a toll on the ability of investors to continue to digest these securities.

Zillow.com reported via Bloomberg that "more than a fifth of U.S. homeowners owed more than their properties were worth in the fourth quarter as the number of houses and condominiums lost to foreclosure climbed to a record."

The December international trade deficit rose to $40.2 billion versus a consensus $35.9 billion. **John Williams points out that the increased deficit will cut the fourth quarter GDP estimate by about 1.1 points.**

**Financial Comments**

Bernanke was to speak today on how the FED might reduce the punch bowl. His written remarks were released, however. Another prescription for disaster from an academic that never worked in an honest business job in his life. What is funny to me is that most media were hanging on his every word and based upon Bernanke's previous track record, you have to wonder about the intelligence of the media.

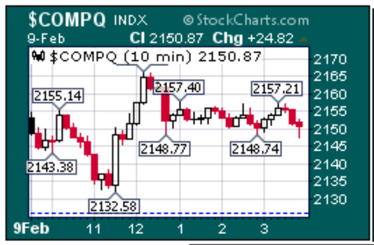
Bernanke makes the assumption that the economy is improving ... not necessarily the case and in any event, those receiving credit are not the ones who need it. Small business and consumers are seeing their lines of credit decreased substantially and their interest rates raised en masse. Bernanke should be more worried about the possibility of a major double-dip recession turning into his nightmare ... a hyper-inflationary depression.

Ian Gordon of the **Longwave Group is warning about a Kondratieff winter** and its effect on 2010. Perhaps, Bernanke might want to take heed and maybe, the rest of us.

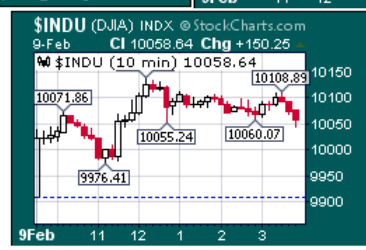
**Portfolio**

We made no changes in the portfolios today.

## 02/09/2010 After the Close








## Another rally attempt?

Markets Diary 4:34 p.m. EST 02/09/10

| Issues | NYSE | Nasdaq | Amex |
|---|---|---|---|
| Advancing | 2,385 | 1,905 | 317 |
| Declining | 666 | 751 | 146 |
| Unchanged | 84 | 115 | 44 |
| Total | 3,135 | 2,771 | 507 |
| **Issues at** | | | |
| New 52 Week High | 43 | 35 | 10 |
| New 52 Week Low | 13 | 26 | 1 |
| **Share Volume** | | | |
| Total | 1,238,639,850 | 2,234,373,649 | 14,227,028 |
| Advancing | 1,020,524,980 | 1,759,876,065 | 8,953,928 |
| Declining | 181,253,110 | 454,803,868 | 4,687,200 |
| Unchanged | 36,861,760 | 19,693,716 | 585,900 |

The oversold bias helped the market close in positive territory today. Or maybe it was the PPT moving the futures market which was suggesting that the DJIA would open 100 higher after being stuffed yesterday. Advancing issues and volume were all winners today as the market headed higher.

Rumors about whether Germany and other EU nations will do more than jaw-boning to assist Greece and the other PIGS helped the market move higher. Still Greece is nothing if the UK defaults and who is to say that is not in the cards down the road. Sovereign debt risk has many different scenarios. Moral hazard, indeed, faces the Germans as well as the EU for if they bail out Greece can they afford to bail out the rest of the PIGS and the UK. A historian may wonder who really won WWII.

**Economic News**

Was the improvement in retail sales nothing other than a stock-up effect of the February winter storms and the Super Bowl. We will have to wait and see as the Northeast braces for another major snow storm. Wonder how this will affect the announcement of the administration's Global Warming Center?

Inventories at the wholesale level fell 0.8% in December which was a change from the previous two months of increases. In the face of a less than robust Christmas sales season, the decrease suggests that inventories might not be rebuilding as fast as some economists have predicted.

According to an IBD/TIPP survey, U.S. consumer confidence fell in February to near the levels seen at the beginning of the recession.

Reuters reported that "Senior Chinese military officers have proposed that their country boost defense spending, adjust PLA deployments, **and possibly sell some U.S. bonds** to punish Washington for its latest round of arms sales to Taiwan."

There is a solution to this threat as noted by **Karl Denninger:**

> "Our President can, with the wave of a pen, reduce our outstanding Federal Debt by a trillion dollars. He can issue an executive order that declares that **every bond the Chinese Government holds is worthless."**

Of course, that will change the face of the world so why not just present all those governments and citizens in Europe and the Middle East with the same redemption ... after all, we have provided for their security at no charge for almost three-quarters of a century now. Seems to me that payment is due.

The Democratic leadership unveiled a new stimulus package called a "Jobs Bill." It calls for an additional $80 billion of spending ... such a small drop in the bucket after TARP's $780 billion. What is really needed is less spending, lower taxes and fewer regulations but do you suppose that any politician on either side of the aisle is really aware of those requirements.

**Financial News**

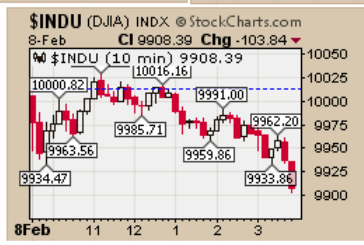
CME group estimates that traders and hedge funds have bet nearly $8 billion against the euro, the largest short position in ever in the Euro. The U.S. dollar fell to 79.45 while the euro gain to 1.3716. The yield on the 10 year U.S. Treasury note rose to 3.64%. Crude oil closed at $73.75.

**Portfolio Comments**

In the Aggressive portfolio, we added long positions in TEN, ISRG and ACF today. There were no other changes in the portfolios.

# 02/08/2010 After the Close






# Rebound fizzled!

**Markets Diary** 4:34 p.m. EST 02/08/10

| Issues | NYSE | Nasdaq | Amex |
|---|---|---|---|
| Advancing | 1,077 | 922 | 195 |
| Declining | 1,957 | 1,708 | 239 |
| Unchanged | 86 | 117 | 61 |
| Total | 3,120 | 2,747 | 495 |
| **Issues at** | | | |
| New 52 Week High | 30 | 27 | 3 |
| New 52 Week Low | 13 | 28 | 5 |
| **Share Volume** | | | |
| Total | 1,084,802,642 | 2,050,157,011 | 10,811,083 |
| Advancing | 237,606,332 | 555,287,339 | 3,099,313 |
| Declining | 837,053,410 | 1,445,641,411 | 6,055,570 |
| Unchanged | 10,142,900 | 49,228,261 | 1,656,200 |

After Friday's Hail Mary rally, the indices failed to continue the momentum today and ended close to their lows for the day on rather disappointing volume. The DJIA closed below 10,000 for the first time in three months. Declining issues and volume were definitely in control today.

**Economic News**

Treasury Secretary Timothy Geithner stated that the USA will 'never' lose its AAA debt rating and the deficit will shrink. *Talk about going out on a limb! Never is an awfully long time.* Geithner also credited 66,000 loan modifications for giving millions of Americans more financial security. *You have to wonder about that claim. The most these program have done is to slow the rate of decline in the housing market and create the illusion of a false bottom.*

*Perhaps Geithner's remarks will be remembered like Bernanke's 2007 comments:*

> **"The sub-prime mortgage problem is largely contained and will not spread to the broader economy" and "while growth may remain sub-par the US will not enter a recession"?**

Representatives for 24 central banks and money authorities, including the US Federal Reserve and European Central Bank met in Australia over the week. Apparently, they are concerned that the recovery is lagging and another financial problem is starting to arise, perhaps, sovereign debt defaults.

Goldman Sachs, according to spiegel.de, helped the Greek government to mask the true extent of its deficit with the help of a derivatives deal that legally circumvented the EU Maastricht deficit rules. At some point the so-called cross currency swaps will mature, and swell the country's already bloated deficit.

The level of U.S. employment today is 129.5 million according to the Ministry of Truth. Unfortunately, that is the same level as in 1999 and the working population has increased 29 million. Oops! Guess all that stimulus is not doing much good!

RealtyTrac indicated that defaults and repossessions have been running at over 300,000 a month since last February. One million American families lost their homes in the fourth quarter of 2009. Moody's Economy.com expects another 2.4 million in 2010. Over $134 billion of "option ARM" contracts are due for reset in 2010 and 2011. Fitch Ratings reported that U.S, jumbo mortgages at least 60 days late reached 9.6% in January vs. 9.2% in December. It was the 32nd straight increase in "serious delinquencies."

**Financial Comments**

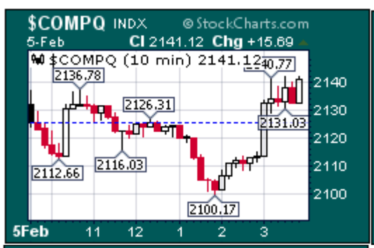
This week the U.S. Treasury is only scheduled to sell $81 billion in coupon debt. Treasury is expected to issue $2.43 trillion in debt this year, a 16% increase from last year's record.

The Congressional Budget office announced that the Social Security Administration (SSA) is taking in less in taxes than it is spending on benefits. The data comes from a CBO report. The SSA assumes that it will earn $120 billion on its trust fund in FY 2010 (page 74 of the CBO report). However, the overall Social Security surplus for FY 2010 will be only $92 billion (page 116). According to Allan Sloan of Fortune Magazine, without the interest income, Social Security will be $28 billion in the hole.

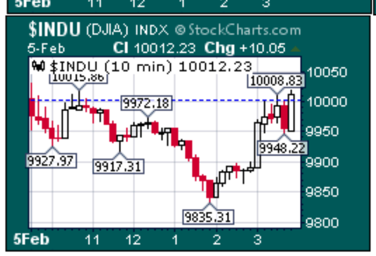
**Portfolio Comments**

After Friday's Hail Mary rally, we decided that if the overseas markets did not move higher early Monday and if the U.S. markets were not strong that we would go short a few financial stocks shortly after the opening on Monday. As a result, we shorted the major financial players in the **Aggressive portfolio** this morning. There were no other changes in the portfolios.

## 02/05/2010 After the Close








## At 2 pm, the PPT charged into the fray!

**Markets Diary** 5:48 p.m. EST 02/05/10

| Issues | NYSE | Nasdaq | Amex |
|---|---|---|---|
| Advancing | 1,344 | 1,455 | 221 |
| Declining | 1,751 | 1,219 | 261 |
| Unchanged | 86 | 126 | 38 |
| Total | 3,181 | 2,800 | 520 |
| **Issues at** | | | |
| New 52 Week High | 19 | 14 | 4 |
| New 52 Week Low | 26 | 46 | 7 |
| **Share Volume** | | | |
| Total | 1,531,792,366 | 2,811,108,890 | 16,397,245 |
| Advancing | 821,558,056 | 1,850,805,272 | 9,975,775 |
| Declining | 692,259,210 | 827,971,861 | 5,499,700 |
| Unchanged | 17,975,100 | 132,331,757 | 921,770 |

With the market sagging to its lows for the week, the PPT (Working Group on Capital Markets) unleashed a flood of fiat money in an attempt to stop the bleeding. For the moment, it was successful and the DJIA closed above 10,000 on the day gaining over 143 points in the last two hours of trading. However, the NYSE was not so fortunate and the broader index ended in the red for the day. On the week, the market indices still managed to close lower.

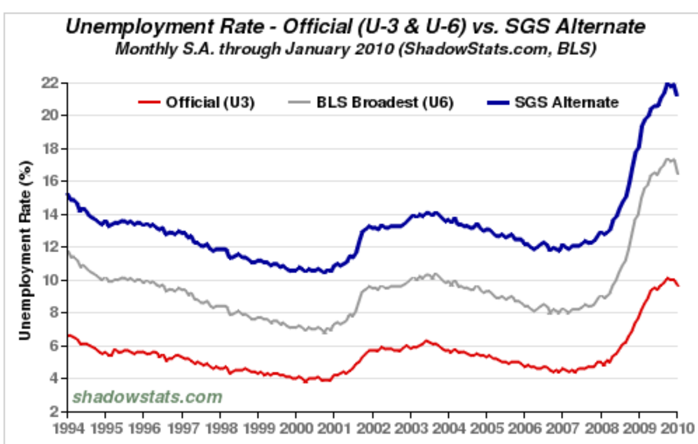
Several TV commentators were spinning that the increased in overall volume was from institutional investors picking up bargains. Rather I believe that it was a panicked FED intervening in the markets again. With the Treasury going back into the markets next week to raise a huge amount again, the FED could not let its bashing of the gold and commodity markets earlier in the week be undone.

With sovereign debt continuing to concern investors and Moody's cautioning about the possible downgrade of US securities from AAA status, I am not surprised at the 2 pm intervention in the market. The following 1 minute chart clearly shows the change in market direction. **Don't you wonder who gave the orders to the trading desks?**


**Economic News**

Job losses in the January employment report stood at 20,000 which was worse than the expectation of a 15,000 gain. Of course, TrimTabs which uses real-time daily income tax deposits from all U.S. taxpayers to compute employment growth estimated that the U.S. economy lost 104,000 jobs in January ... a slight difference from the "official data."

Today's jobs report from the Ministry of Truth (MOT) finally concedes that the birth/death rate adjustment has overstated the employment numbers by 840,000 through March 2009. **Left unsaid is the rest of 2009 overstatement! Since the recession began, the economy according to the MOT lost 8.4 million jobs. Unemployment and underemployed fell to a still very extremely high 16.5% from 17.3%. 14.8 million people are unemployed, those who would work but are not looking for a job (not counted as unemployed) totals 6.1 million people and 8.3 million people are working part-time but would like a full time job. The labor force is actually lower than when the recession began and as employers add workers, more people can be expected to return to the labor force, keeping the unemployment very high.**



As shown in the above chart, the MOT actually is suggesting that the unemployment rate fell from 10% in December to 9.7%. So how is it that each week about 480,000 new jobless claims are filed. Speaker Nancy Pelosi actually suggested this morning that the improvement in the unemployment rate in January was a result of the $780 billion stimulus package working. Apparently she was unaware of the benchmark revision that the MOT made which was the largest revision to the employment numbers in history.

The benchmark revision showed a 19% great jobs loss for this downturn than previously reported. The benchmark revisions lowed the previously-reported seasonally-adjusted payroll employment level in December 2009 by 1.363 million, rougly 1.1%. The heaviest downside revision was concentrated in the August to November 2008 period.

The other piece of news concerned a further contraction in consumer credit in December 2009. It was down by $1.8 billion which was the net from a $8.5 billion drop in revolving credit and boosted by a $6.8 billion increase in non-revolving credit, largely, automobile sales. On an annual basis, the 4th quarter contracted at a 4.7% annual rate which was more than the 3.3% loss in the 3rd quarter. December was the 11th straight monthly decline.

**Financial Comments**

Sovereign debt concerns helped dollar-denominated instruments to move higher in trading yesterday and today. I am worried about the ability of CDS holders to get paid if sovereign debt begins to go bankrupt. Of course, in my opinion, CDS contracts are nothing but Ponzi schemes. Increased volatility can be seen in both the bond and stock markets.

The U.S. dollar index closed at 80.35 while the Euro on concerns about the PIGS fell to 1.3667. With the rush to supposed safety in U.S. assets, the yield on the 10 year US Treasury note fell to 3.55%. Crude oil fell to $71.19. Gold closed at $1052 while silver finished at $14.82.

As the FED withdraws support from four programs it used to juice the market the last two years, investors should start to worry if the currency swaps are reversed. Perhaps, they are already underway.

Following the thrashing of the bullion and gold shares on Thursday, we decided to add to our positions in the **Precious Metals portfolio.** There were no other changes in the portfolios today.

- 

**Fred Richards / Strategic Investing**

---



Last updated - November 17, 2009