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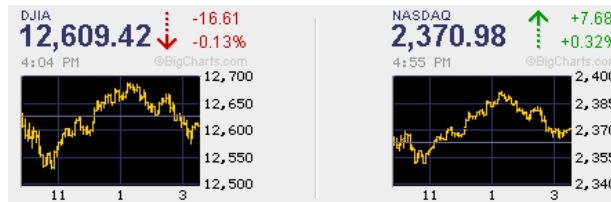
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Market Musings

4/4/2008 After the Close



There was little excitement in today's mixed market.

Markets Diary		4:54 p.m. EDT 04/04/08		
Issues	NYSE	Nasdaq	Amex	
Advancing	1,712	1,465	727	
Declining	1,386	1,392	498	
Unchanged	107	139	83	
Total	3,205	2,996	1,308	
Issues at				
New 52 Week High	64	33	19	
New 52 Week Low	14	40	23	
Share Volume				
Total	1,240,209,440	1,979,334,762	32,622,418	
Advancing	620,790,350	1,086,584,814	17,633,170	
Declining	607,656,890	824,952,622	13,563,948	
Unchanged	11,762,200	67,797,326	1,425,300	

The bulls and the bears fought today's round almost to a standstill despite the lousy jobs report showing 80,000 fewer jobs. It was the third straight month of declining payroll numbers and brought the unemployment rate up to 5.1%.



According to John Williams of Shadow Government Statistics, the March Payroll decline was actually closer to 120,000 after considering the revisions to the February data. The Birth Death Adjustment to the data also added 145,000 jobs to the household report. Of course, of those, 34,000 of the BDA adds were in construction and financial sectors. Simply amazing! He also commented on the money supply as follows:

On the inflation front, money supply M2 continued to surge in the latest weekly reporting (up at a seasonally-adjusted, annualized 24.3% in the week ended March 24th), with annual growth in March M3 now a fair bet to top 17.2%, up from the 16.9% historic high set in February.

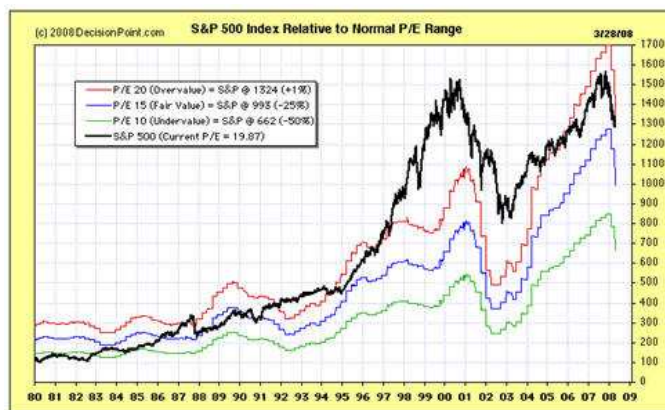
Both the ISM non-manufacturing index as well as the purchasing manager's report show continued price pressures. With the money supply growth accelerating, inflation will continue to move higher.

With job growth declining, is there any doubt that stagflation, or worse, is just ahead!

Since June 2007 when we started keeping up with the NASDAQ earnings forecast data, not once has the number of companies increasing earnings been higher than those with decreasing earnings. At the moment, the S&P 500 is priced at 20.7. According to DecisionPoint.com,

Notice also that GAAP earnings are projected to drop to 55.15 by the end of 2008 Q2. Compare that to earnings of 84.92 at the end of 2007 Q3. In spite of the fairy tale projections of "operating" earnings, real earnings are crashing.

The following chart from DecisionPoint.com suggests that the market is over-valued historically.



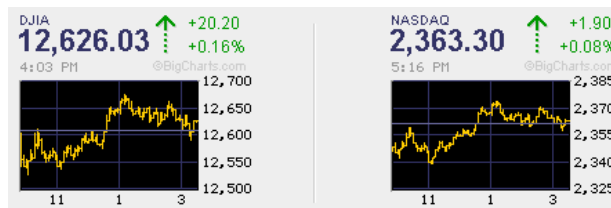
Bottom Line: The earnings picture is abysmal, and there is a solid long-term sell signal in progress. (Emphasis is Strategic Investing's). Playing the long side looks promising, but keep a tight reign on long positions because we are in a bear market until proven otherwise.

The U.S. dollar rally appears over as it has been down three days in a row closing below \$72 today. Responding to Bernanke's recession comments, investors headed into U.S. treasuries driving the yield on the ten year note to 3.48%, a drop of 3.06% today.



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

4/3/2008 After the Close



The market held its breath today waiting for the March Jobs report!

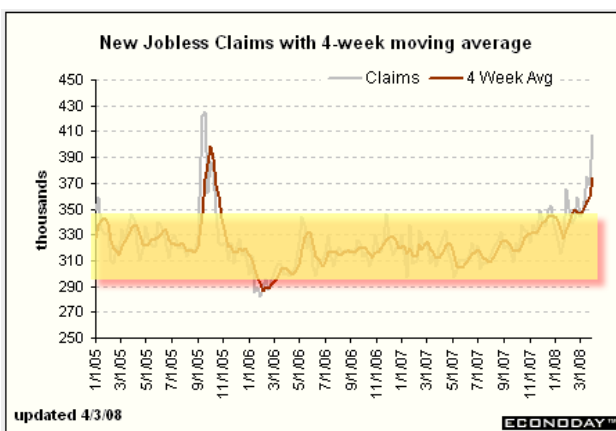
Markets Diary			
5:50 p.m. EDT 04/03/08			
Issues	NYSE	Nasdaq	Amex
Advancing	1,848	1,383	641
Declining	1,299	1,500	533
Unchanged	93	155	99
Total	3,240	3,038	1,273

Issues at			
New 52 Week High	55	17	14
New 52 Week Low	13	51	28

Share Volume			
Total	1,251,587,157	1,950,757,339	25,711,910
Advancing	744,272,070	1,173,612,689	14,430,220
Declining	487,662,987	762,597,751	9,430,990
Unchanged	19,652,100	14,546,899	1,850,700

With overall volume lower, the market tiptoed nervously about yesterday's close as it analyzed the today's new jobless claims numbers and yesterday's anemic ADP employment report. Neither suggested that the jobs report for March would help dispel the possibility of a looming recession. Of course, the birth/death rate adjustment (BDA) last March was about 5% higher than last February. If the same percentage remains in effect, the BDA will add about 150,000 jobs to the March report.

Thursday's new jobless claims report showed 407,000 new claims, the highest level since Hurricane Katrina. Clearly the channel which has been in existence for over three years as shown below has now moved to a higher level. The breakout does not auger well for the economy.

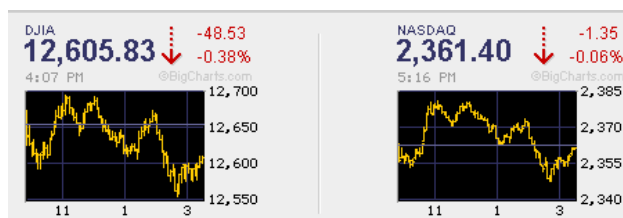


Yesterday the factory order report also showed a 1.3% decline in February 2008 from the previous month. The only sector that showed an increase was information technology. Construction materials and supplies showed the largest decline in the last five months of 4.3%. I guess the housing bottom is still somewhere out there.

Consumers fell behind on car, credit-card and home-equity loans at the highest level in 15 years during the fourth quarter, another sign the U.S. economy is slowing, according to an [American Bankers Association](#) survey.

We made no changes in the portfolios today.

4/2/2008 After the Close



Where did yesterday's bounce go?

Markets Diary			
5:43 p.m. EDT 04/02/08			
Issues	NYSE	Nasdaq	Amex
Advancing	1,859	1,549	744
Declining	1,296	1,325	467
Unchanged	93	155	84
Total	3,248	3,029	1,295
Issues at			
New 52 Week High	54	34	7
New 52 Week Low	17	59	25
Share Volume			
Total	1,438,711,967	2,007,606,454	28,575,727
Advancing	831,466,740	916,319,071	15,196,210
Declining	596,344,927	1,052,833,775	11,933,867
Unchanged	10,900,300	38,453,608	1,445,650

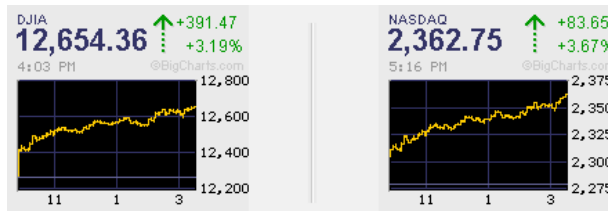
After a huge rally of almost 400 points on April Fool's Day, today saw little enthusiasm as volume shrank.

Was just a one day wonder? Or perhaps, it was that former economics department head at Princeton telling the Joint Economic Committee that the "risk of recession had increased." Real GDP was might now grow in 2008, said Bernanke. Along with the International Monetary Fund cutting its global growth forecast from 4.1% to 3.7%, the market retreated. Now that is a frightening bit of information ... of course, the members of Congress were unaware of that possibility. Right!

Well, we are writing this from the airport waiting for our flight to board and they have just called it. So will close.

We made no changes in the portfolios today.

4/1/08 After the Close



April Fool's Day ... will the joke be on the market!

Markets Diary			
5:39 p.m. EDT 04/01/08			
Issues	NYSE	Nasdaq	Amex
Advancing	2,691	2,202	793
Declining	518	730	452
Unchanged	53	124	81
Total	3,262	3,056	1,326
Issues at			
New 52 Week High	30	26	10
New 52 Week Low	16	57	36
Share Volume			
Total	1,691,795,923	2,111,054,195	33,117,424
Advancing	1,528,633,990	1,906,669,223	18,203,614
Declining	150,775,733	192,779,714	13,571,110
Unchanged	12,386,200	11,605,258	1,342,700

A gap up at the opening and a new quarter and suddenly, every thing is o.k. with the world. It was investor's forgetting that inflation is just around the bend, the dollar is headed further south in the long-run and the U.S. is no longer producing much of that necessary commodity ... capital.

UBS canned its President and hired a lawyer in his place and wrote off a measly \$18 billion and talked about a rights offering to replenish its depleted capital.

This time, the joker was playing his pipe and all the portfolio managers thought that the new quarter was a good time to jump on the train. Time will tell whether it is just a train to nowhere or down. Has the long-term trend been broken? Has the last of the sub-prime losses, let alone the auto's and credit card securitizations become written off?

Are manufacturing backlogs increasing significantly? The manufacturing sector continued to slip lower in March, according to the ISM index which came in at a sub-50 level of 48.6, up 3 tenths from February but still indicating month-to-month contraction. Construction spending in February continued downward.

The swapping of U.S Treasuries held by the FED for toxic paper in March ... will those trades be reversed? Or will

the FED have to eat them?

The STI indicators are still negative. The Investor's Business Daily Accumulation/Distribution ratings for the database are still below 400 and may have moved higher today but they are well below the 625 level where one might think about moving into equities above 33% of funds available.

As of the late hour following tonight's talk and today's meetings, I find the same questions facing the investor. Is the bottom in? The NASDAQ had more 52 week lows than highs as did the AMEX.

Sales of light vehicles proved unusually weak in March in an ominous sign for retail sales and for the economy. Credit is still hard to obtain by well-qualified individuals and corporations as standards have been raised. Banking system still has negative net reserves. We still have way too much leverage in the system particularly at the investment banks and the derivative mess is still largely understood. The dollar is going lower if the FED continues its present course of action.

Hence, my answer is ... I want a lot more confirmation than the action on April Fool's Day. Historically, April First has seen up moves ... this one was no different. Let's not get too excited about the bottom being in until we see more confirmation.

Our automatic Action Points turned our short positions in the Aggressive portfolio back to longs today while we were in meetings. There were no other trades in the portfolios today.

3/31/08 After the Close



The market closed the quarter on an up note!

Markets Diary		5:57 p.m. EDT 03/31/08		
Issues	NYSE	Nasdaq	Amex	
Advancing	1,960	1,738	716	
Declining	1,212	1,183	505	
Unchanged	89	136	103	
Total	3,261	3,057	1,324	
Issues at				
New 52 Week High	16	14	18	
New 52 Week Low	55	89	51	
Share Volume				
Total	1,555,954,406	1,730,262,173	28,903,456	
Advancing	1,043,194,030	1,210,492,919	15,435,060	
Declining	503,313,776	492,930,893	11,931,196	
Unchanged	9,446,600	26,838,361	1,537,200	

However, the volume was less than enthusiastic on the upside. For the quarter, all the major indices were in negative territory as shown below.

Index	YTD Gain (Loss)
DJIA	-7.6
S&P 500	-9.9
NASDAQ	-14.1
Russell 2000	-10.2

Clearly, it was difficult quarter for most investors.

The Chicago PMI report was slightly higher but still below 50 indicating a recession. Moreover, the prices paid component continued to move higher suggesting that either prices will increase further or corporate profits will deteriorate.

Bloomberg reported that the housing mess is getting larger, if possible. Defaults on privately insured U.S. mortgages rose 38 percent in February for the 14th straight month as record U.S. foreclosures forced the industry to reimburse lenders for more bad loans.

We flew from Dallas to Newark today. The trip should have taken about 4:15 in the old days. But thanks to weather, TSA, and flight crew problems, our travel time in a cramped seat on a full plane was over 9 hours. And

you ask why I drive.

There were no changes in the portfolios today. We will be traveling to meetings a lot of the next two days so Market Musings may not be published or succinct.

3/28/08 After the Close



Two down days in a row on lower volume!

Markets Diary			
5:12 p.m. EDT 03/28/08			
Issues	NYSE	Nasdaq	Amex
Advancing	1,056	940	462
Declining	2,057	1,928	706
Unchanged	88	139	94
Total	3,201	3,007	1,262

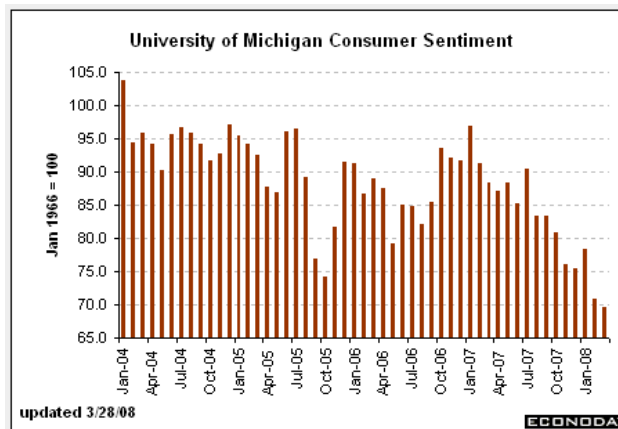
Issues at			
New 52 Week High	14	9	8
New 52 Week Low	54	92	39

Share Volume			
Total	1,353,860,727	1,800,620,571	32,917,728
Advancing	316,954,217	456,601,246	8,290,728
Declining	1,020,977,000	1,311,472,721	23,392,700
Unchanged	15,929,510	32,546,604	1,234,300

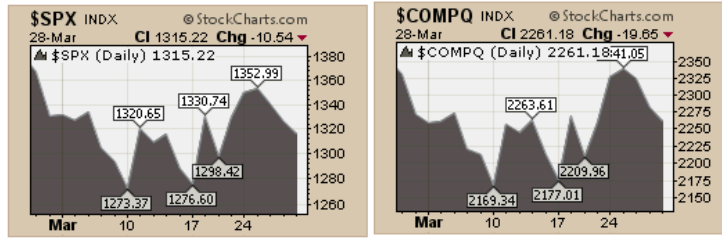
The good news is that it was not a distribution day ... the bad news is that the indices closed at their lows wiping out the gains for the weeks Big Board indices and almost for the NASDAQ. The S&P 500 has now undercut the the level of the follow-through day on March 11th suggesting that the rally might be in trouble.

Declining volume and issues along with new 52 week lows all dominated their counterparts in today's trading ... not a good sign for a rally.

Today's economic news continued to not be highly positive. While February 2008 real disposable income increased by 0.5% consumers cut back on their spending. Personal consumption expenditures have not dropped into negative territory for the last twelve months. With consumer spending accounting for over 70% of GDP, a decline in consumer spending places a damper on the economy. The University of Michigan Consumer Sentiment index dropped to nearly an all-time low reading at 69.5 as shown in the following chart.



The rally that began on March 11th was fueled by the gyrations of the FED infusing a massive amount of fiat money into the system which has helped the market to stage a "V" rally.



The following table details the FED infusions on a daily basis in March 2008.

Federal Reserve Capital Infusions - March 2008											
in \$ billions											
Date	ADD's Temp Repo	Perm Repo	Repo Pool Total	TAF Facility	Emergency Funding MBS's	TSLF Added	CB Currency Swaps	BSC JPM Deal	FED Funds Rate	FED Discount Rate	Taxpayer Stimulus Package
13-Feb-08											168
29-Feb-08			186.908						3.00%	3.50%	
1-Mar-08											
2-Mar-08											
3-Mar-08	11.75		185.908								
4-Mar-08	16.25		181.408								
5-Mar-08	3.25		177.408								
6-Mar-08	0.00		172.158								
7-Mar-08	17.75		189.908	100	100						
8-Mar-08											
9-Mar-08											
10-Mar-08	5.50		212.658								
11-Mar-08	9.00		197.158								
12-Mar-08	0.00		212.158			200	30				
13-Mar-08	9.00		210.158								
14-Mar-08	4.00		210.658					30			
15-Mar-08											
16-Mar-08											
17-Mar-08	12.00	22.99	241.148							-25 bps	
18-Mar-08	24.21		244.408								
19-Mar-08	7.25	14.99	257.398								
20-Mar-08	24.00	5.00	272.114								
21-Mar-08	0.00		272.114								
22-Mar-08											
23-Mar-08											
24-Mar-08	5.50		272.614								
25-Mar-08	2.00	25.00	299.615								
26-Mar-08	19.25	12.00	316.684								
27-Mar-08	26.50		301.614								
28-Mar-08			284.114								
29-Mar-08											
30-Mar-08											
31-Mar-08											
Total Change	197.20	79.98		100	100	200	30	30	2.25%	2.50%	168

Source: NY Federal Reserve Bank, Mike Bolser, Interventional Analysis, FOMC press releases
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During the period shown in the above table, the repo pool rose by about \$100 billion. In addition, the TAF facility was increased from \$60 to \$100 billion and the FED added emergency funds MBS's of \$100 billion. Currency swaps with the European Central Bank and the Swiss Central Bank increased \$30 billion. The takeover of Bear Stearns generated another \$30 billion of additional funds. Add it all up and it amounts to something over \$500 billion into the system. More importantly of the \$100 increase in the repo pool, about \$80 billion of that was in POMO's which has a much greater impact that does temporary repo's.

Moreover, the above figures do not include the impact from the Treasury's Taxpayer Stimulus package which will begin in May 2008.

The only thing one can conclude from this data is that there has never been such a massive and sudden increase in funds by the FED in history. The repo pool under Alan Greenspan rarely approached \$50 billion and today it is almost six times that level.

If John Williams of Shadow Government Statistics calculated M3 growing at a 18.3% rate in February, what do you think it will be for March?

Yet despite the massive amount of support, the market indices are basically flat for the month of March as shown in the following chart. One can only surmise what might have happened to them if the FED had not opened the floodgates and started inflation moving higher?

	DJIA	S&P 500	NASDAQ	Russell 2000
3/3/2008	12258.90	1331.34	2258.60	684.22
3/4/2008	12213.80	1326.75	2260.28	680.98
3/5/2008	12254.99	1333.70	2272.81	683.74
3/6/2008	12040.39	1304.34	2220.50	662.78
3/7/2008	11893.69	1293.37	2212.49	660.11
3/10/2008	11740.15	1273.37	2169.34	643.97
3/11/2008	12156.81	1320.65	2255.76	673.81
3/12/2008	12110.24	1308.77	2243.87	667.31
3/13/2008	12145.74	1315.48	2263.61	679.71
3/14/2008	11951.09	1288.14	2212.49	662.90
3/17/2008	11972.25	1276.60	2177.01	650.48
3/18/2008	12392.66	1330.74	2268.26	681.93
3/19/2008	12100.00	1298.42	2209.96	664.13
3/20/2008	12361.22	1329.51	2258.11	681.42
3/21/2008	12361.22	1329.51	2258.11	681.42
3/24/2008	12548.64	1349.88	2326.75	701.28
3/25/2008	12532.60	1352.99	2341.05	705.27
3/26/2008	12422.86	1341.13	2324.36	702.11
3/27/2008	12302.46	1325.76	2280.83	692.39
3/28/2008	12216.40	1315.22	2261.18	683.18
3/31/2008				

While Bernanke and Ron Paul obviously can not agree on the definition of inflation, I like the following definition from Adam Smith and the Austrian school. Inflation is an increase in the money supply without a similar increase in productive wealth. Inflation is not about a general increase in prices; it is about increases in the money supply.

The dollar softened some more to end at \$1.5798 against the euro and at Y99.26 against the yen. Safe haven pushed Treasury yields lower, down 3 basis points for the 2-year to 1.65 percent and 8 basis points for the 10-year to 3.44 percent. Quick repairs to Iraqi oil facilities sent oil down nearly \$2 to \$105.36 (WTI). Gold showed its volatility again, falling nearly \$20 to \$936.50.

In the Conservative portfolio, KOP violated its Action Point and was sold. There were no other changes in the portfolios today.

On Tuesday evening, April 1st, we will be speaking in Chatham, NJ on "**CAN SLIM® Strategies in Difficult Markets.**" For more information, check the [Upcoming Events](#).

Have a great weekend!

Fred Richards/Strategic Investing.

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Keep it Safe, Simple and Stay Focused!
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