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Market Musings

07/31/2009 After the Close



July ends on a mixed note.

Markets Diary				6:04 p.m. EDT 07/31/09
Issues	NYSE	Nasdaq	Alternext	
Advancing	1,886	1,264	332	
Declining	1,148	1,352	155	
Unchanged	124	202	95	
Total	3,158	2,818	582	
Issues at				
New 52 Week High	110	64	19	
New 52 Week Low	7	3	1	
Share Volume				
Total	1,504,721,523	2,190,389,536	22,619,533	
Advancing	1,018,083,463	962,686,240	16,883,170	
Declining	471,631,120	1,206,033,245	3,993,800	
Unchanged	15,006,940	21,670,051	1,742,563	

Today's GDP report was somewhat better than the 1st quarter. However, the five year revision hid the actual changes in the report. **What was reported as a 1% decline in GDP was actually 2.3% after you compare comparative series.** The 1st quarter was revised to a decline of 6.4%, the largest decline since 1982. GDP has now declined for four consecutive quarters.

A reduction in the trade deficit and increased government spending at the federal level were major factors in reducing the rate of loss in GDP. Can you really equate a reduction in the rate of decline with a bottoming of the economy. GDP on a y/y basis fell 3.9%, the largest y/y decline since WWII.

Volume increased on the NYSE and advancing issues and volume were dominant. However, on the NASDAQ, volume decreased and declining volume was dominant. New 52 week highs were also definitely in the majority.

Despite a rule book that was 108 pages thick, the "Cash for Clunkers" program was suspended last night until Congress appropriates more money. Seems like there are some old cars out there polluting the roadways.

The FDIC closed four U.S. banks with total deposits of about \$1 billion today. Obviously, they did not get any TARP money. Sixty-eight banks have failed so far in 2009.

Food for thought: **How exactly can the US Government 'bail out' 1.4 Quadrillion dollars of OTC derivatives that are still out there waiting to detonate according to the Bank of International Settlements in Basel Switzerland, the bank of the banks?**

Gold was taken down for the massive US Treasury auctions. Now that the auctions are over, and the dollar

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under such pressure (also following the auctions), gold and silver are allowed to rally. Gold closed up almost \$20 at \$954.10 today. The U.S. dollar index fell below a resistance level in today's trading at 78.29. Guess the Forex traders discovered that the improvement in GDP was the result of governmental spending.

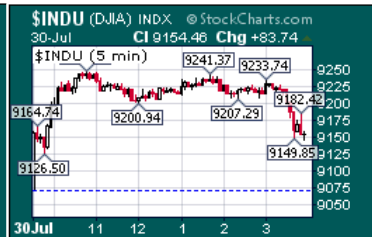
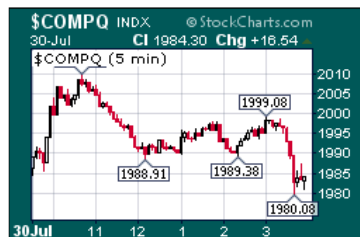


The yield on the 10 year Treasury note fell to 3.5% suggesting that the FED continues to buy bonds as it monetizes debt. Primary dealers who bought the largest weekly auction of Treasuries in the history of the world were miraculously bailed out. It could not be planned that way, could it? **I find the suggestion that the Chinese showed up to buy all those 7 year notes ridiculous as they have been shortening the maturity schedule on the issues they currently hold.** West Texas crude oil managed to continue upwards and closed at \$69.09/bbl.



We took a good hit in the Aggressive portfolio as SYNA tanked. We also sold VCP from the Aggressive portfolio today. There were no other changes in the portfolios today.

07/30/2009 After the Close



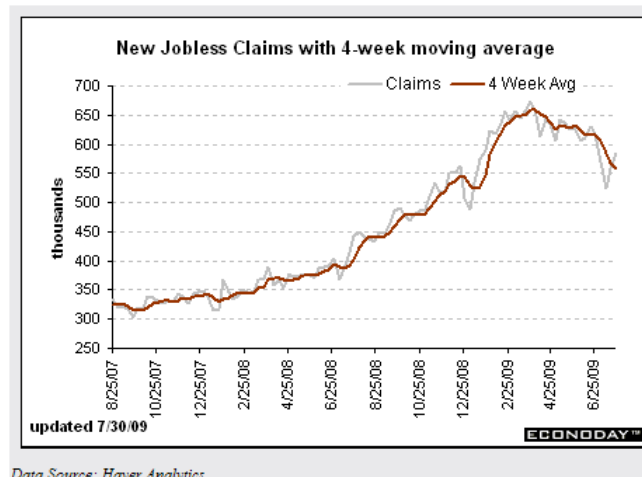
A quickstart day.

Markets Diary		5:42 p.m. EDT 07/30/09		
Issues	NYSE	Nasdaq	Alternext	
Advancing	2,432	1,805	327	
Declining	635	799	144	
Unchanged	93	211	101	
Total	3,160	2,815	572	
Issues at				
New 52 Week High	127	115	17	
New 52 Week Low	7	5	2	
Share Volume				
Total	1,356,359,932	2,525,679,304	23,448,976	
Advancing	943,749,132	1,576,199,090	12,454,196	
Declining	401,314,730	925,693,398	8,978,260	
Unchanged	11,296,070	23,786,816	2,016,520	

Although the opening was strong, the close saw about half of the gains given back. Volume was significantly higher in the hours immediately after the opening. Most indices made new closing highs for the year. Though the S&P 500 was unable to cross the psychologically significant 1000 mark, the Nasdaq broke above 2000 for the first time since early October 2008.

You have to wonder what was the real impetus behind the push, or was it just an end of month paint job. While the 7 year Treasury note auction was apparently successful, Wal-Mart issued over \$1 billion in "Samarai" bonds Tuesday night. These are bonds issued in Japan and are payable in yen. Very interesting ... will the U.S. Treasury be next to issue "Samarai" bonds, or even better, bonds payable in yen?

Initial jobless claims rose 25,000 to 584,000 in the week ending July 25. The previous week was revised higher by 5,000 to 558,000. Continuing claims fell 54,000 to 6.197 million in the week ending July 18. But of course, many unemployed as seeing their benefits running out.



A sharp rise in commodities gave the CRB Commodity Index a 3.9% gain, which is its best single-session percentage gain since March. Oil prices rebounded 5.8% to settle at \$67.00 per barrel after dropping nearly 6% in the previous session.

T. Boone Pickens has apparently decided to throw in the towel on all those wind farms he has been promoting. Wonder if Obama will still ask him to the White House?

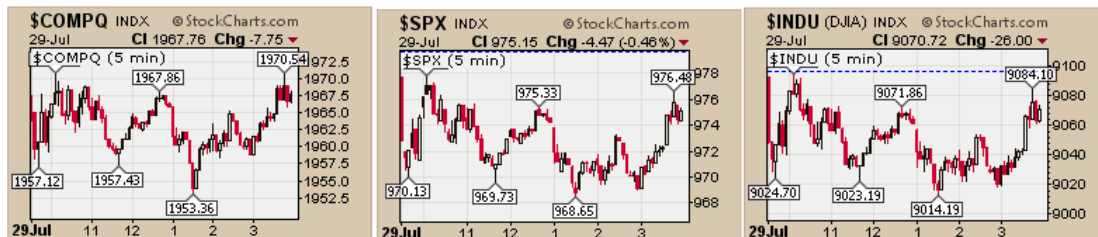
If you look at the GE Capital balance sheet, it smells like a CIT clone. Still GE was upgraded today by another Goldman Sachs analyst. A close look at the Capital One report suggests that it might be a good short. The FDIC is trying to develop a way to reduce the size of banks so that we do not have any "to-big-to-fail."
Now that is about time.

American Express has officially exited TARP after repurchasing warrants from the government for \$340M. The company said the warrant buyback, along with \$74.4M of dividend payments it made, provided taxpayers with an annualized 26% return.

We made several purchases in the Aggressive, Conservative and Precious Metals portfolios today. The Aggressive portfolio purchases were based upon a screen showing stocks up 8 straight days and then we reviewed them in DGO. The Conservative purchases were from the current Stock List and a DGO review. The Precious Metal purchases were sheer speculative buys.

We will be watching these buys closely. The leading stocks appear to be holding but a lot of churning can also be seen and the afternoon swoon is cause for some concern.

07/29/2009 After the Close



At least, it was not a distribution day.

Markets Diary				5:46 p.m. EDT 07/29/09			
Issues	NYSE	Nasdaq	Alternext				
Advancing	1,224	983	202				
Declining	1,843	1,607	275				
Unchanged	96	206	81				
Total	3,163	2,796	558				
Issues at							
New 52 Week High	83	50	15				
New 52 Week Low	2	5	1				
Share Volume							
Total	1,143,623,060	2,072,653,438	17,771,770				
Advancing	467,441,060	936,056,016	9,788,420				
Declining	667,205,900	1,120,446,159	7,050,210				
Unchanged	8,976,100	16,151,263	933,140				

Perhaps, the markets are just catching their breath. Certainly, the China markets were lower in today's trading as teh central government plans to limit lending. Commodity prices were under pressure most of the day. China's exports are affected by the world economies. Will China grow at a 8% rate in 2009. Or can we really trust any of the data from China.

Ron Linam points out that electricity production in China is down for the year and you have to use electricity to produce things. As Ron opines, something is amiss!

The Treasury's 5-year auction proved a major flop as non-dealers stayed away. Indirect bidding was very weak at 37 percent vs. 63 percent in the June auction, meaning that dealers are stuck with the supply. Perhaps, supply is beginning to overwhelm.

Durable good orders fell 2.5% in June with aircraft orders doing the most damage as seen in the following table.

Released On:	Percent	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Released For:	of Total	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
New Orders	100.0%	-7.8%	1.6%	-2.2%	1.4%	1.3%	-2.5%
less defense	92.9%	-4.6%	-0.1%	-2.4%	0.2%	0.9%	-0.7%
Industry Groups							
Primary metals	9.0%	-6.9%	-2.4%	-9.2%	0.2%	-0.2%	8.9%
Fabricated Metals	13.8%	-6.1%	-1.5%	-3.0%	3.4%	-2.4%	-0.2%
Machinery	14.2%	-12.2%	6.4%	-7.3%	0.2%	7.3%	4.4%
Computers & electronic prod	14.1%	-7.3%	7.3%	1.5%	-3.5%	2.2%	-2.5%
Electrical Equipment	5.0%	-9.8%	-2.1%	0.1%	-0.9%	-2.1%	0.9%
Transportation	25.1%	-11.9%	2.4%	-0.1%	6.3%	2.7%	-12.8%
Unfilled Orders	NA	-2.0%	-1.7%	-1.7%	-1.1%	-0.3%	-0.9%

Data Source: Haver Analytics

SNL Financial reported yesterday that 18 banks who received \$508.5 million in TARP funds did not make dividends payments on time to the Treasury. The 5% annual dividend was due May 15 and six missed payments allows the Treasury to put two directors on the Board. Eleven of the banks may have been unable to make payments due to state laws which prohibit dividends if the firms do not make a certain amount of money.

Just in case, you missed it. Insider selling continues at near record levels. Why?

The CRB Commodity Index sank 2.7% in its worst single-session performance in three months as crude oil prices dropped 5.8% to settle at \$63.35 per barrel and gold prices fell 1.3% to \$927.20 per ounce.

We made no changes in the portfolios today.

07/28/2009 After the Close

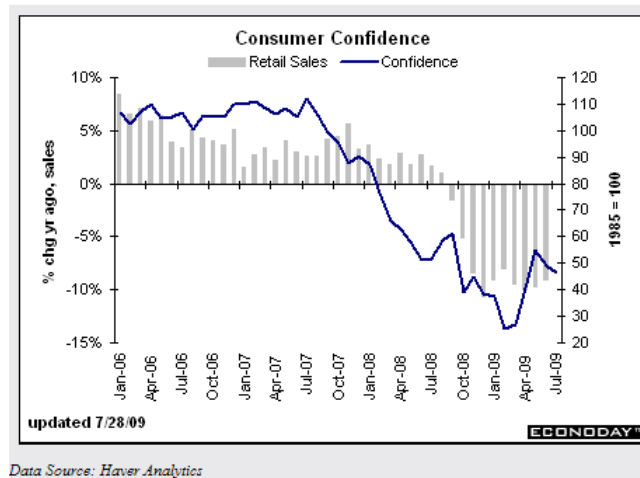


Another day showing little movement.

Markets Diary				6:02 p.m. EDT 07/28/09	
Issues	NYSE	Nasdaq	Alternext		
Advancing	1,437	1,426	231		
Declining	1,566	1,187	248		
Unchanged	178	207	101		
Total	3,181	2,820	580		
Issues at					
New 52 Week High	82	65	15		
New 52 Week Low	2	4	0		
Share Volume					
Total	1,241,236,420	2,206,857,397	13,320,051		
Advancing	614,935,460	1,332,573,570	5,360,951		
Declining	617,532,550	836,455,857	6,096,600		
Unchanged	8,768,410	37,827,970	1,862,500		

What a waste ... another ho-hum day as the indices closed mixed although volume was up slightly. NASDAQ has seen 14 of 15 days end higher.

Consumer confidence fell for the second month in a row. **Rising joblessness, rising foreclosures, still falling housing prices, high indebtedness and tight credit are outweighing falling gas prices and higher equities.**



Housing prices according to the CaseShiller report continued to fall but at a lower rate. **Prices are still down 17.1% year/year (from 18.4%).**

Commercial real estate will cause many banks to have problems in upcoming months. **First American CoreLogic reported yesterday \$165 billion in US commercial real estate loans will mature this year and need to be sold or refinanced as rents and occupancies decline.**

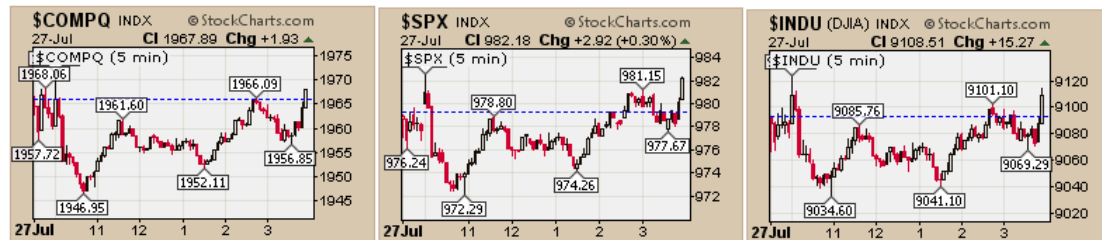
Why anyone listens to Treasury Secretary Geithner when he tells the Chinese that the U.S. will shrink the

deficit is beyond me. Until Congress actually decides to reduce spending, it will not happen. This week's treasury auctions has Philadelphia FED President Plosser suggesting that the FED will have to start raising interest rates even while the unemployment rate is high.

Since transportation is a vital part of the economy, it would seem that if any "green shoots" were there, the transportation sector should provide evidence. **John Galt has analyzed the filings for the 2nd Quarter of the best run transportation companies and concludes that it is just smoke and mirrors pushed by the Ministry of Truth.**

We made no changes in the portfolios today.

07/27/2009 After the Close



A nudge here, a nudge there

Markets Diary			
	5:56 p.m. EDT 07/27/09		
Issues	NYSE	Nasdaq	Alternext
Advancing	1,932	1,479	283
Declining	1,082	1,123	209
Unchanged	141	220	79
Total	3,155	2,822	571
Issues at			
New 52 Week High	97	86	11
New 52 Week Low	1	5	1
Share Volume			
Total	1,042,435,463	2,141,690,910	12,527,754
Advancing	653,191,213	1,383,823,758	7,240,384
Declining	374,751,850	734,486,130	4,356,970
Unchanged	14,492,400	23,381,022	930,400

The market ended almost unchanged in today's trading as the indices were nudged to the close. The FED and Treasury needed to keep the indices either going up or unchanged with the huge \$115 billion in coupon debt of Treasury auctions slated for the week.

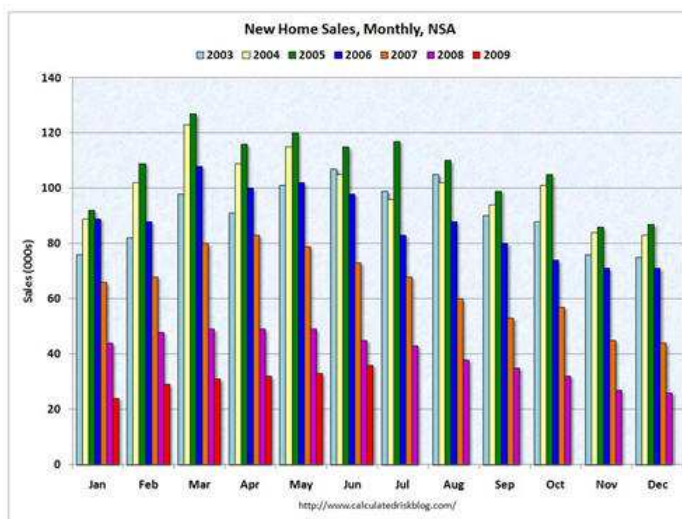
Bernanke is holding a series of town hall meetings in an attempt to explain some of the reasons that the Federal Reserve has reduced interest rates, and purchased all those toxic assets which are now on the FED's books. **The NY Times published an article on July 25th which said**

"As Federal Reserve chairman, Ben Bernanke has committed serious sins of commission and omission — and for those many sins, he does not deserve reappointment."

According to Bondsonline, "The Treasury will embark on its record coupon debt sales with the sale today of \$6 billion twenty-year TIPS, \$42 billion two-year notes tomorrow, \$39 billion five-year notes Wednesday and \$28 billion seven-year notes Thursday. Including bills the Treasury will sell a staggering \$236 billion in debt this week. **Bloomberg News penned in an article today that yields are currently at their highest inflation adjusted levels in fifteen years.**"

Mike Shedlock (Mish) has an interesting article on real treasury yields. Mish is particularly interested about the housing component of the BLS-CPI. It proves that you really need to understand how the data is put together before you can draw any conclusions from it.

New home sales rose 11.0% in June to 384,000 units annualized, for its third consecutive monthly gain. The \$8,000 Fed tax credit (1st time buyers) and a \$10,000 California tax credit (new homes only) likely helped out in NHS this month. Falling prices are also contributing to sales activity of the sector, which represents about 15% of the overall housing market. Of course, on a year-to-year basis, new home sales were down 21.3%. Today's increase was also partially due to the seasonality factor according to the Calculated Risk blog.



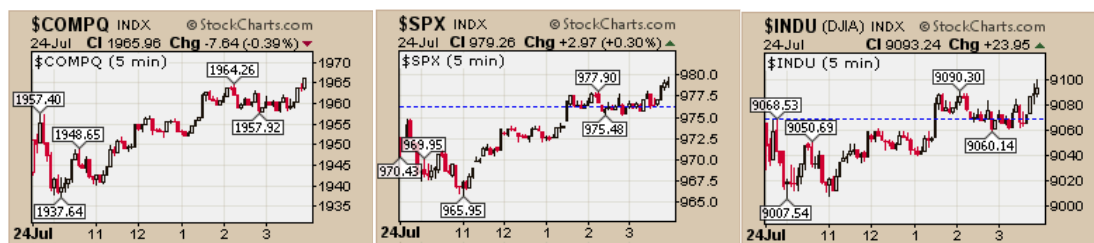
If you listened to the TV, you would conclude that the bottom in housing has arrived. **Lewis McLain has analyzed the data in detail and suggests strongly that the building bottom has some strong headwinds to overcome.**

Do you think that the CDS problem is behind us? **Martin Mayer at the AIER says that the problems is still out there and growing.**

In an attempt to keep Government Motors (GM) afloat, the "cash for clunkers" program started today. Essentially, consumers can get up to \$4,500 toward the purchase or lease of a new fuel-efficient car or truck if they bring in an old vehicle that gets a combined average mileage of 18 miles a gallon or less. While C.A.R.S. has officially been in effect since July 1, the rules were not completed and revealed until last Friday. Visitors to the C.A.R.S. web site will notice a few changes, including a PDF of the rules (**all 136 pages of them**) available for download.

We covered our position in BAC today in the Aggressive portfolio. There were no other changes in the portfolios today.

07/24/2009 After the Close



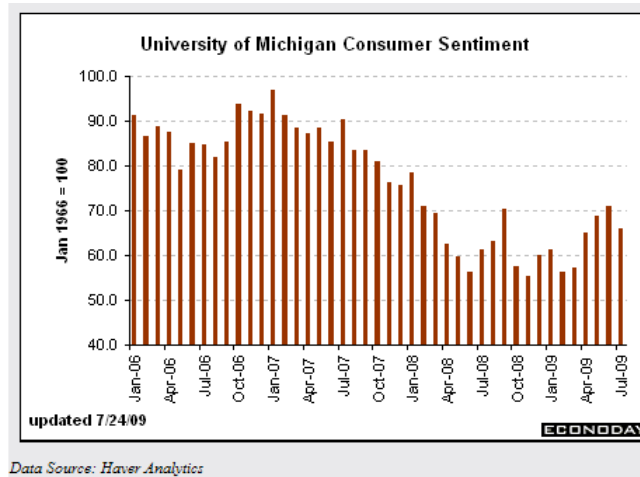
NASDAQ broke its streak today.

Markets Diary		5:58 p.m. EDT 07/24/09		
Issues	NYSE	Nasdaq	Alternext	
Advancing	1,915	1,465	279	
Declining	1,134	1,187	222	
Unchanged	115	146	68	
Total	3,164	2,798	569	
Issues at				
New 52 Week High	63	69	9	
New 52 Week Low	4	11	1	
Share Volume				
Total	1,023,367,061	2,232,923,770	10,642,289	
Advancing	640,509,371	1,162,562,095	5,708,500	
Declining	357,313,490	999,596,405	3,396,989	
Unchanged	25,544,200	70,765,270	1,536,800	

The market was mixed today as NASDAQ failed to make it 13 days in a row. Microsoft's miss had a negative

impact on the technology sector.

Consumer sentiment fell in the latest reading from the University of Michigan. Shrinking job prospects and lower real disposable income are cited as reasons consumers are anxious about their



Take a look at the following video with Eliot Spitzer and have a couple of laughs.

<http://dealbreaker.com/2009/07/eliot-spitzer-the-federal-rese.php>. Next week, the U.S. Treasury is going to borrow \$203 billion ... wonder how much the FED will monetize?

The FDIC closed seven more banks, six in Georgia today. The Georgia banks will cost the FDIC about \$807 million.

In the Aggressive portfolio, we sold AMZN on a hard stop. We also repurchased FUQI. In the Conservative portfolio, we sold STAR as it violated its Action Point.

• **Fred Richards**
Strategic Investing

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