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Market Musings

11/13/2009 After the Close

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Will the rally continue?

Markets Diary 5:45 p.m. EST 11/13/09

Issues	NYSE	Nasdaq	Amex
Advancing	2,206	1,762	262
Declining	813	855	218
Unchanged	127	212	61
Total	3,146	2,829	541

Issues at

New 52 Week High	97	52	8
New 52 Week Low	2	36	6

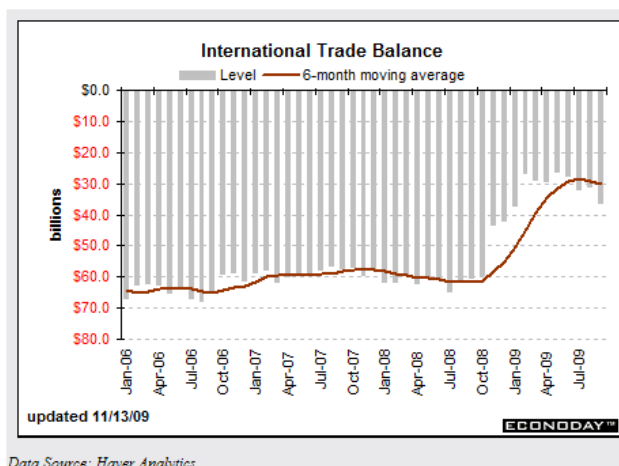
Share Volume

Total	985,007,540	1,876,227,449	12,780,183
Advancing	681,367,400	1,390,414,058	7,319,813
Declining	273,510,040	470,274,092	4,821,070
Unchanged	30,130,100	15,539,299	639,300

The distribution day casts some doubt upon the continuation of this rally. Unlike other recent rallies, the divergence between the NYSE and NASDAQ bullish percent ratios and the level of the A rated stocks in the IBD® Accumulation/Distribution rating is significant. Prudent investors should keep a sharp eye out for a quick reversal of the rally.

Gold \$1116.10 - Silver \$17.37 up 11 cents -- That's another all-time record close for Gold!

In today's economic news, the international trade deficit increased as oil imports climbed. The overall U.S. trade deficit widened to \$36.5 billion from a revised \$30.7 billion worth of red ink in August. According to Reuters, **"The U.S. trade deficit widened in September by an unexpectedly large 18.2 percent, the most in more than 10 years, as oil prices rose for the seventh straight month and imports from China bounded higher, a U.S. government report showed on Friday."**



Data Source: Haver Analytics

Import prices have now risen for the 3rd month in a row perhaps, due to the falling U.S. dollar.

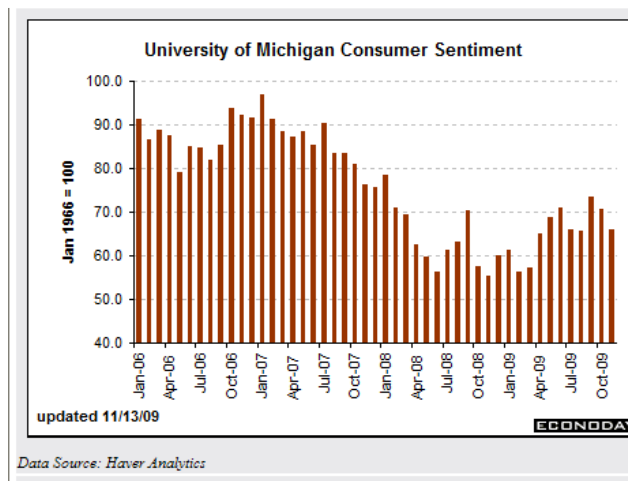
Released On:	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09
Released For:	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
Export prices	0.4%	1.0%	-0.3%	0.7%	-0.3%	0.3%
Import prices	1.7%	2.7%	-0.7%	1.6%	0.2%	0.7%
Petroleum prices	11.1%	17.2%	-2.5%	7.7%	-0.9%	0.9%
Non oil imports	0.2%	0.1%	-0.2%	0.3%	0.4%	0.7%

Data Source: Haver Analytics

The market did not take too kindly to a falling data point contained in the University of Michigan Consumer Sentiment index.

Data displayed as monthly index level						
Released on	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09
Released for	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09
Consumer sentiment	70.8	66.0	65.7	73.5	70.6	66.0
Difference from a year ago	14.4	4.8	2.7	3.2	13.0	10.7

Data Source: Haver Analytics



Data Source: Haver Analytics

The banks keep failing. After the market's close today, the FDIC closed three banks with total deposits of about \$3.2 billion. That should just about wipe out the FDIC's capital and force it to use its credit line with the U.S. Treasury.

The U.S. dollar index is in danger of falling below the 75 support level while gold continues to move higher.

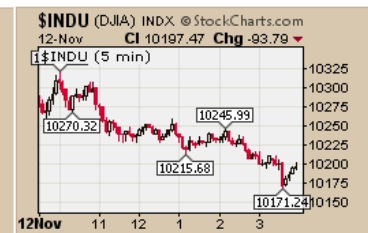


The yield on the ten year U.S. Treasury note fell to 3.43% as it closed lower every day this week. Meanwhile, crude oil continued to also move lower.



We made no changes in the portfolios today. This weekend, we will finish up at the AAI convention, then drive towards Baton Rouge, Louisiana for a talk Monday evening at the AAI chapter there. Then it is on to Dallas and Las Vegas.

11/12/2009 After the Close



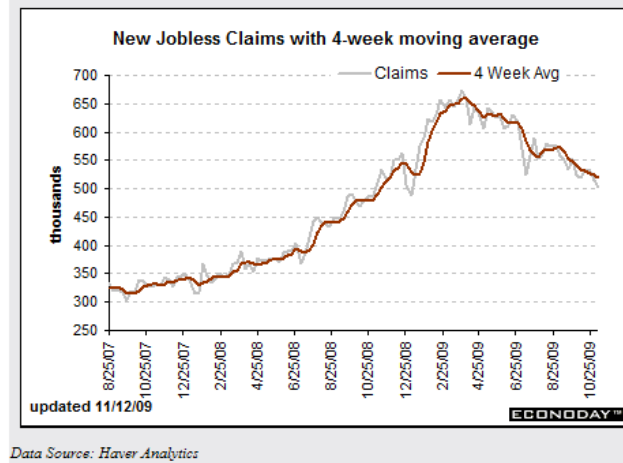
The market went down in higher volume.

Markets Diary			
5:43 p.m. EST 11/12/09			
Issues	NYSE	Nasdaq	Amex
Advancing	606	613	139
Declining	2,431	2,017	362
Unchanged	126	173	57
Total	3,163	2,803	558
Issues at			
New 52 Week High	110	60	10
New 52 Week Low	5	40	8
Share Volume			
Total	1,050,356,579	2,212,374,737	16,830,766
Advancing	147,359,589	775,390,399	4,199,600
Declining	877,282,440	1,415,174,839	11,869,566
Unchanged	25,714,550	21,809,499	761,600

The market chalked up a distribution day today although yesterday's volume was perhaps affected by the Veteran's Day holiday. Still declining issues and volume were clearly in control of the market action.

New jobless claims continued to show a decline falling to 501,000 during the latest week. Continuing claims extended their long downward trend, falling a very large 139,000 to 5.631 million (Oct. 31 week). Though some of

this improvement may reflect new hiring, much of it unfortunately reflects the expiration of benefits.



The Mortgage Bankers Association reported demand for purchase applications plunged in the Nov. 6 week pointing to the risk of a dip backward in home sales. The refinance index surged 11.3 percent in the week as interest rates remained low.

We spent the entire day at the AAI Convention and did not make any changes in the portfolios.

11/11/2009 After the Close



Another chorus of "Market up in lower volume"

Markets Diary				5:49 p.m. EST 11/11/09			
Issues	NYSE	Nasdaq	Amex				
Advancing	1,885	1,657	275				
Declining	1,144	986	202				
Unchanged	113	170	71				
Total	3,142	2,813	548				
Issues at							
New 52 Week High	211	109	15				
New 52 Week Low	6	22	3				
Share Volume							
Total	1,046,076,880	1,851,798,591	13,882,614				
Advancing	680,645,940	1,349,129,476	7,461,314				
Declining	359,143,840	478,015,802	4,975,500				
Unchanged	6,287,100	24,653,313	1,445,800				

Veteran's Day in the U.S. saw the stock market managed trading quietly. There was no economic news to report. Oil was slightly higher in today's trading. The bond market was closed. Gold closed above \$1,100 again today.

We made no changes in the portfolios. We were either traveling all day or setting up for the AAI Convention in Orlando, Florida today. We discovered that some of the Office 2007 programs had compatibility issues with our website.

11/10/2009 After the Close



Catching a breath!

Markets Diary 5:52 p.m. EST 11/10/09

Issues	NYSE	Nasdaq	Amex
Advancing	1,276	855	195
Declining	1,774	1,783	294
Unchanged	108	196	63
Total	3,158	2,834	552

Issues at			
New 52 Week High	173	81	17
New 52 Week Low	8	33	4

Share Volume			
Total	1,072,971,292	1,997,249,991	14,885,816
Advancing	447,112,410	839,690,971	5,097,086
Declining	606,702,802	1,131,622,731	8,360,030
Unchanged	19,156,080	25,936,289	1,428,700

The market fluctuated in a narrow range today as it consolidated the gains made yesterday when it registered another follow through day. It was a mixed market on lower volume.

Economic news was sparse. ICSC-Goldman's same-store retail index ended six straight weeks of gains, down 0.1 percent in the w/e November 7th.

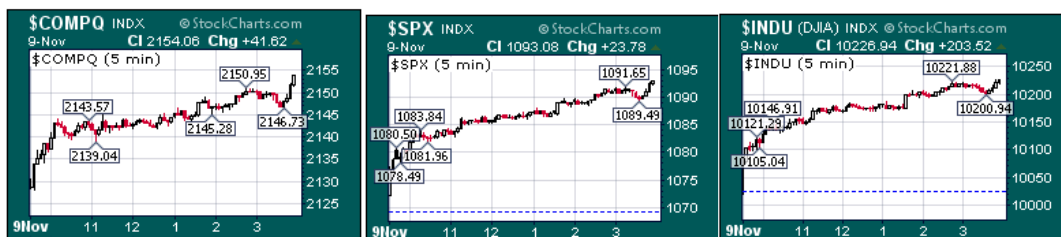
The bottom is probably still ahead for the housing market. Home prices fell in the third quarter from year-ago levels in about 80 percent of U.S. metropolitan areas, the National Association of Realtors said on Tuesday. The national median price for single-family homes, which make up the bulk of the U.S. housing market, fell 11.2 percent from the same quarter a year earlier to \$177,900.

Gold continued to close in higher territory.

We purchased BUCY, IAG and NEU in the Conservative portfolio this morning near the opening. There were no other changes in the portfolios.

We are writing this from Crestview, Florida as we have encountered the remnants of Hurricane Ida and decided to call it a day. Tomorrow we will end up in Orlando. As tomorrow is Veterans Day here in the U.S. we will not publish.

11/09/2009 After the Close



MOVING HIGHER!

Markets Diary			
5:43 p.m. EST 11/09/09			
Issues	NYSE	Nasdaq	Amex
Advancing	2,548	1,855	324
Declining	492	793	169
Unchanged	118	178	66
Total	3,158	2,826	559
Issues at			
New 52 Week High	220	99	24
New 52 Week Low	2	20	3
Share Volume			
Total	1,236,106,182	2,004,700,487	17,307,510
Advancing	1,168,378,992	1,570,773,549	12,486,310
Declining	64,016,920	384,711,566	3,357,100
Unchanged	3,710,270	49,215,372	1,464,100

We closed our shorts in the Aggressive portfolios at the opening this morning and went long as the foreign markets were moving higher. We also closed our position in SH and PSQ in the Conservative portfolio at the same time. There were no other changes in the portfolios today.

Today's market action created a follow-through day for the markets. Will the market rally resume in earnest or will the disconnect between market perceptions and economic reality continue. A group of economists concluded a two day meeting over the weekend in Washington, DC and the subject was the overstated calculations which generates the gross domestic product (GDP) series. Perhaps, a few are beginning to understand the dimensions of the problem.

Gold closed above \$1,100/oz. today. There was little economic news to report. We spent most of the day getting ready for our trip and are now in Shreveport, Louisiana watching the rain patterns from the downgraded storm IDA to determine which way to drive to Orlando tomorrow. Well, that is a decision for the morning.

11/06/2009 After the Close



Much ado about nothing

Markets Diary			
5:59 p.m. EST 11/06/09			
Issues	NYSE	Nasdaq	Amex
Advancing	1,532	1,231	224
Declining	1,459	1,404	246
Unchanged	151	185	76
Total	3,142	2,820	546
Issues at			
New 52 Week High	93	69	12
New 52 Week Low	7	16	4
Share Volume			
Total	1,084,488,722	1,829,155,593	13,043,386
Advancing	508,789,802	1,111,495,285	5,889,140
Declining	498,584,650	674,986,903	5,570,956
Unchanged	77,114,270	42,673,405	1,583,290

Low volume suggests indecision about the market's direction by large investors today.

The jobs picture in October worsened as the unemployment rate topped double digits and payroll jobs fell more than expected. Nonfarm payroll employment in October declined 190,000, following a revised decrease of 219,000 in September and a revised contraction of 154,000 in August. The October fall in payroll employment was more negative than the market projection for a 175,000 decrease.

The October jobs report put seasonally adjusted unemployment at 10.2% which shows how crazy all those seasonal adjustments can be. For many reasons, I have ignored the Ministry of Truth data and tried to make to decisions upon the raw data which allows me to make my own decisions about various adjustments.

If we use the raw data from Table A1 of the jobs report, we find that there was very little difference in the actual

data between September and October as shown below:

2009 Establishment Survey Data						
Not Seasonally Adjusted						
All data in '000's.						
	Aug	Previous Month Change	Sep	Oct		
Civilian noninstitutional population	236087	217	236322	235	236550	228
Civilian labor force	154897	1358	153617	1280	153635	18
Participation rate	65.6		65		65	
Employed	140074	33	139079	995	139088	9
Employment-population ratio	59.3		58.9		58.8	
Unemployed	14823	378	14538	285	14547	9
Unemployment rate	9.6		9.5		9.5	
Not in labor force	81190	1576	82706	1516	82915	209
Persons who currently want a job	5728	516	5650	78	5621	29

Source: BLS Reports, Table A-1, NSA data

Isn't it interesting that the seasonal adjustments add 0.7% to the unemployment rate in the establishment Survey?

The birth/death rate adjustment factor has now added 793,000 jobs to the employment rolls in the household data survey as shown below:

2009 Household Data	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Employment, S.A.	142099	141748	140887	141007	140570	140196	140041	139649	138864	138275
Change from Previous Month	-1239	-351	-861	120	-437	-374	-155	-392	-785	-589
YTD Change	-1239	-1590	-2451	-2331	-2768	-3142	-3297	-3689	-4474	-5063
Birth/Death Adjustment	-356	134	114	226	220	185	32	118	34	86
YTD Change	-356	-222	-108	118	338	523	555	673	707	793

Source: BLS Employment Reports
Table A-1. Employment status of the civilian population by sex and age.

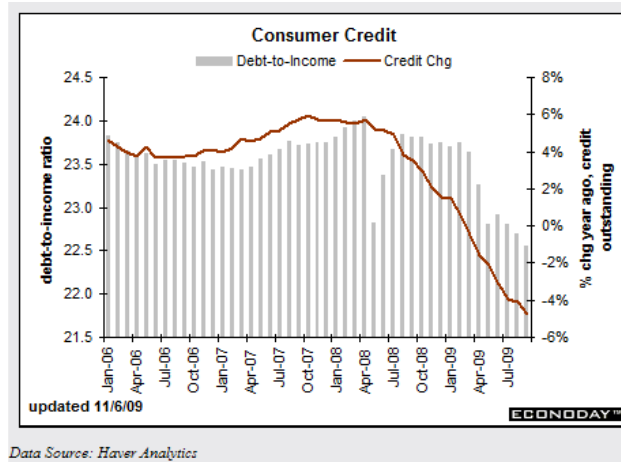
The jobs report has to be viewed as negative and dashes optimism that the rebound in the economy is at hand.

	Percent	data displayed as monthly change in thousands					
Released On:	of Total	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09
Released For:		May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
Payroll Employment	100.0%	-303	-463	-304	-154	-219	-190
Goods-producing industries	14.7%	-212	-212	-116	-130	-114	-129
Construction	4.9%	-57	-79	-69	-66	-68	-62
Manufacturing	9.3%	-146	-123	-41	-55	-45	-61
Service-providing industries	85.3%	-91	-251	-188	-24	-105	-61
Trade, Transportation & Utilities	19.5%	-63	-50	-84	-28	-66	-66
Information	2.2%	-26	-13	-11	-5	3	-1
Financial Activities	5.9%	-27	-33	-14	-23	-9	-8
Professional & Business Services	12.7%	-27	-101	-31	-6	3	18
Education & Health Services	14.4%	40	33	14	50	17	45
Leisure & Hospitality	9.9%	27	-19	1	-14	-2	-37
Government	16.9%	-11	-72	-58	12	-40	0
Other Key Indicators							
Unemployment Rate (level)		9.4	9.5	9.4	9.7	9.8	10.2
Labor force participation rate		65.9	65.7	65.5	65.5	65.2	65.1
Employment-population ratio		59.7	59.5	59.4	59.2	58.8	58.5
Hourly Earnings (monthly %)		0.2%	0.1%	0.3%	0.4%	0.1%	0.3%
Private workweek (level of hours)		33.1	33.0	33.1	33.1	33.0	33.0
Factory workweek (level of hours)		39.4	39.5	39.9	39.9	39.9	40.0

* Total will not add due to rounding or missing categories with small relative weights.

Data Source: Haver Analytics

The consumer continues to reduce debt which is not a good sign for the economy. Consumer credit outstanding fell \$14.8 billion in September to extend a long run of declines. Revolving credit, mostly credit cards, fell \$9.9 billion with non-revolving, mostly car loans, down \$4.9 billion.



We have now finished harvesting both corn and soybeans against weather that has not been cooperating all year. Yields were pretty good all things considered. We consider ourselves extremely fortunate based upon the following data about U.S. harvests this fall.

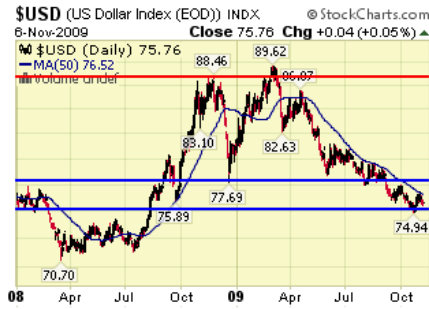
In the Crop Progress report released by the National Ag Statistics Service (NASS) on Nov. 2, 2009, 25% of the corn crop had been harvested across the 18 largest corn-producing states. The five-year-average for the same time period is 71%.

Soybean harvest is 51% complete in the 18 largest soybean-producing states, according to NASS data reported for Nov. 2, 2009. One year ago the soybean harvest was 85% complete on that same date. And the five-year-average is 87% completed.

The Simple Timing Indicators (STI) for both the NASDAQ and the S&P 500 have now turned negative as shown below.



The U.S. dollar index continues to hover above the \$75 level. I would expect to see the dollar index test the \$75 level this next week. The yield on the 10 year U.S. Treasury note rose this week and closed at 3.5%.



Gold closed at another all-time high today in nominal terms, \$1095.20 per oz. Where does it go from here? From a supply/demand view, it will head higher. But remember that gold is a manipulated currency. As long as the U.S. and European central banks can keep it from exploding, it may be difficult seeing it above \$1,500 per oz. West Texas crude oil was sold today and closed down 2.5% at \$77.64/bbl.



We made no changes in the portfolios today. The next two weeks will see us traveling to the AAI convention in Orlando, Florida, Baton Rouge, Louisiana for an AAI chapter talk and then to Las Vegas for the Money Show. As a result, our Market Musings may be delayed. We will try to update the portfolios at least every day.

• **Fred Richards**
Strategic Investing

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