



# STRATEGIC INVESTING

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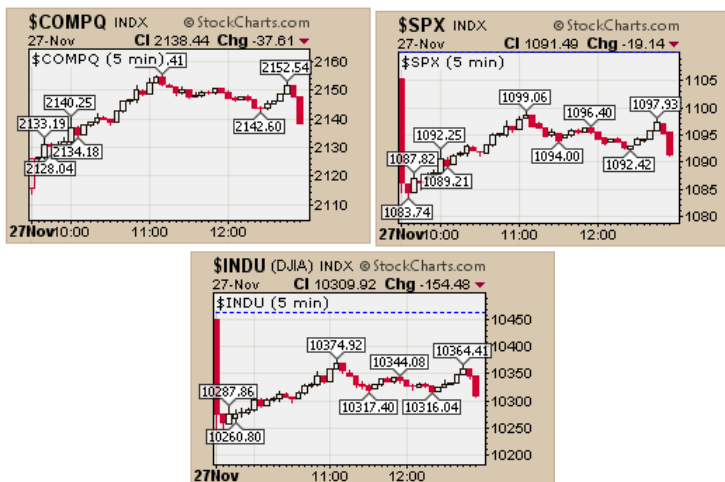
## Market Musings

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## Notice to Subscribers

The website problems have been hopefully resolved and the links to the portfolios are now working. We thank you for your patience as we tracked down the problem causing the inability to access the portfolios.

## 11/27/2009 After the Close



## The Dubai Effect!

Markets Diary				1:23 p.m. EST 11/27/09
Issues	NYSE	Nasdaq	Amex	
Advancing	424	453	122	
Declining	2,530	2,108	305	
Unchanged	72	110	62	
Total	3,026	2,671	489	
<b>Issues at</b>				
New 52 Week High	38	36	3	
New 52 Week Low	13	35	3	
<b>Share Volume</b>				
Total	654,825,507	960,912,738	12,858,834	
Advancing	22,164,290	104,613,004	4,153,400	
Declining	631,422,917	848,833,859	8,207,334	
Unchanged	1,238,300	7,465,875	498,100	

The default by Dubai had the markets in the red today despite a recovery off the opening lows. On a day shortened by the Thanksgiving holiday, volume was relatively low and the markets failed to record a distribution day. Despite the sell-off, the markets ended the week flat.

The Dubai government is trying to restructure Dubai World, and asked creditors to defer payments of some \$20 billion of debt due in the next 18 months. Citibank made a \$8 billion loan to Dubai just six weeks after the bank was bailed out ... no wonder Citibank remains in trouble. Dubai has debts that may exceed \$80 billion and the news of the deferral request helped send the markets lower. Bank of America commented that Dubai's debt woes may worsen to become a "major sovereign default?" that roils developing nations and cuts off capital flows to emerging markets.

The United Arab Emirate (UAE) has total debt amounting to \$184 billion at the end of 2009, according to estimates by Bank of America-Merrill Lynch. Will it be the next shoe to fall?

There were no economic reports of significance today.

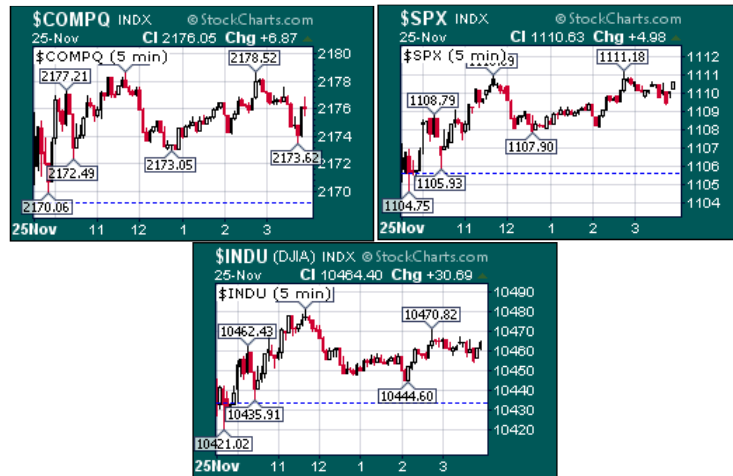
The FED continues its game of trying to redistribute wealth from savers to borrowers by keeping interest rates low ... in effect, it is a massive tax hike on savers. **According to Michael Pento's commentary in Prudent Bear.com**, "The inflation redux plan from the Federal Reserve and Washington is based on zero interest rates, massive deficits and quantitative easing, which are designed to bring down the value of the U.S. dollar and create inflation. That is the truth, despite promises from Treasury Secretary Geithner that he really means it this time when he says the United States has a strong dollar policy – the irony being, that he says this while concurrently begging the Chinese to allow the dollar to fall vs. the Renminbi."

You have to wonder when savers will look at the falling dollar trend and low interest rates and say that it makes no sense to invest in the U.S.

Yesterday, we enjoyed the opportunity to feast with friends and family while the Dallas Cowboys raised their season record to 8 wins and 3 losses. Now comes the hard part of the schedule for the Cowboys ... somewhat like the Dubai investors trying to wonder if they will find it harder to get their money back or will they have to take another loss!

We took advantage of the market sell-off and expected a rebound from the oversold condition. In the Aggressive portfolio, we bought additional shares of QQQQ and SPY just after the opening and then sold them later in the day after the first 10 minute down bar showed up. There were no other changes in the portfolios today.

### 11/25/2009 After the Close



### A good day before Thanksgiving!

Markets Diary				5:52 p.m. EST 11/25/09		
Issues	NYSE	Nasdaq	Amex			
Advancing	2,059	1,201	293			
Declining	970	1,443	196			
Unchanged	128	182	51			
Total	3,157	2,826	540			
Issues at						
New 52 Week High	170	84	16			
New 52 Week Low	5	12	3			
Share Volume						
Total	795,206,365	1,398,613,786	13,221,466			
Advancing	551,160,340	798,985,919	10,502,900			
Declining	227,354,325	539,131,539	2,011,076			
Unchanged	16,691,700	60,496,328	707,490			

Economic data helped investors move the market higher today. Volume was definitely lower as investors headed off for the Thanksgiving day break and Black Friday shopping.

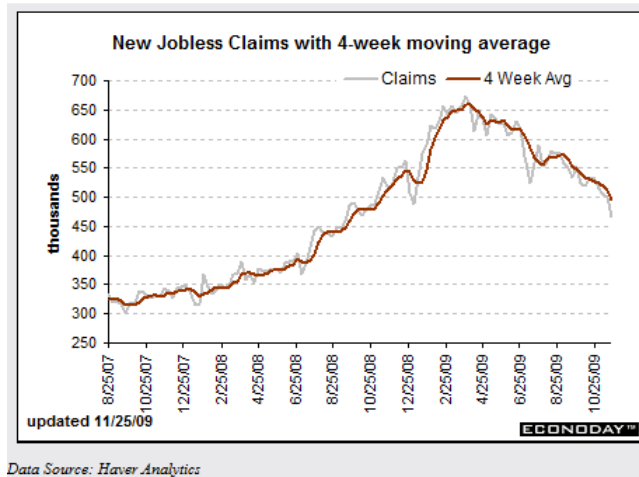
Durable goods orders in October fell 0.6% after moving ahead 2% in September. Year-on-year, overall new orders for durable goods improved to minus 11.9 percent in October from minus 18.8 percent in September.

Released On:	Percent	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09
Released For:	of Total	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
<b>New Orders</b>	<b>100.0%</b>	1.3%	-1.1%	4.8%	-2.7%	2.0%	-0.6%
less transportation	75.5%	0.8%	2.6%	0.9%	-0.5%	1.8%	-1.3%
less defense	94.2%	0.9%	0.8%	4.3%	-2.7%	1.8%	0.4%
Industry Groups							
<b>Primary metals</b>	7.7%	-0.2%	12.2%	3.3%	1.2%	2.6%	3.6%
<b>Fabricated Metals</b>	14.2%	-2.6%	0.5%	3.4%	0.1%	1.9%	0.5%
<b>Machinery</b>	13.5%	7.2%	4.6%	-7.7%	1.3%	8.8%	-8.0%
<b>Computers &amp; electronic prod</b>	15.2%	2.4%	1.5%	1.6%	-1.6%	-0.2%	-2.1%
<b>Electrical Equipment</b>	5.1%	-2.0%	1.7%	4.1%	-1.7%	-1.9%	2.7%
<b>Transportation</b>	24.5%	2.9%	-11.9%	17.8%	-8.9%	2.5%	1.5%
<b>Unfilled Orders</b>	NA	-0.3%	-0.8%	-0.1%	-0.4%	-0.4%	-0.4%

*Data Source: Haver Analytics*

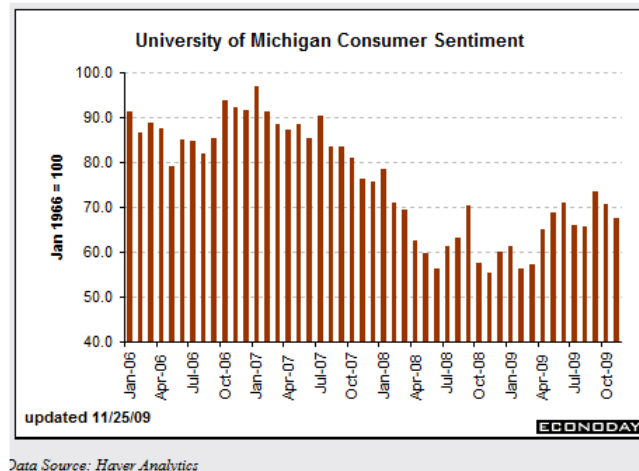
Increased auto sales helped boost consumer spending in October by 0.7%. Personal income increased 0.2%. However, on a y/y basis, personal income is still down 1%. All told, today's report continues to suggest weak consumer spending.

For the first time in weeks, new jobless claims fell below 500,000 at 466,000. Hopefully, the downward trend will continue. Continuing claims are also falling, down 190,000 to 5.423 million in data for the Nov.. 14 week, but here the change also reflects the expiration of benefits.



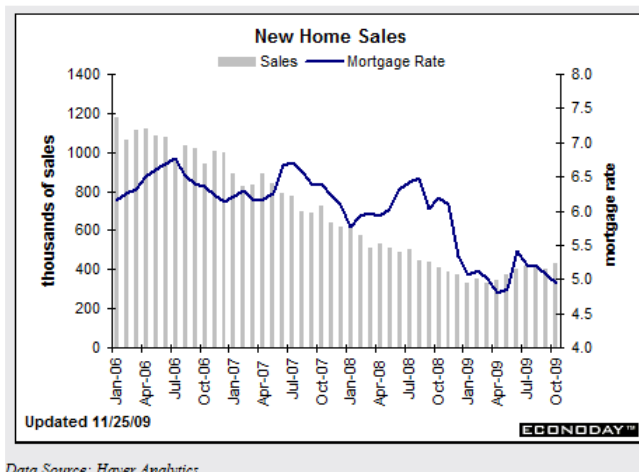
Data Source: Haver Analytics

While layoffs continue to decrease the University of Consumer Sentiment final reading for November showed a decrease for the past two months.



Data Source: Haver Analytics

Expiring home buyer credits helped new home sales to show major gains in October jumping 6.2%. Supply has contracted to 239,000 or 6.7 months as home builders have reduced their production significantly this year.



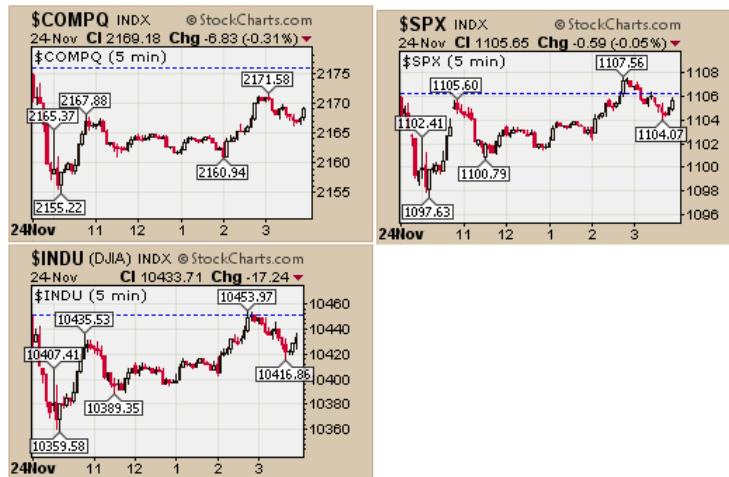
Data Source: Haver Analytics

Gold closed at another all-time high as the U.S. dollar index took a dive to close below 75 at 74.24.



We made no changes in the portfolios today. Have a great Thanksgiving tomorrow and get ready for Black Friday.

### 11/24/2009 After the Close

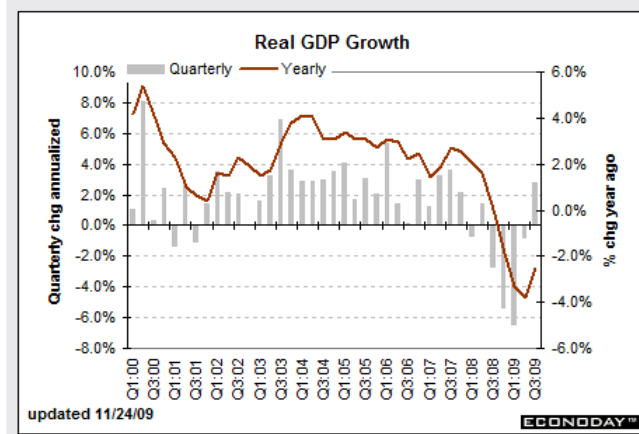


### Another distribution day?

Markets Diary			
	6:13 p.m. EST 11/24/09		
Issues	NYSE	Nasdaq	Amex
Advancing	1,375	1,079	229
Declining	1,647	1,575	260
Unchanged	150	196	67
Total	3,172	2,850	556
Issues at			
New 52 Week High	91	55	4
New 52 Week Low	6	13	7
Share Volume			
Total	951,990,503	1,858,498,570	11,047,710
Advancing	407,362,150	721,226,506	5,100,290
Declining	522,683,053	1,111,571,582	4,536,920
Unchanged	21,945,300	25,700,482	1,410,500

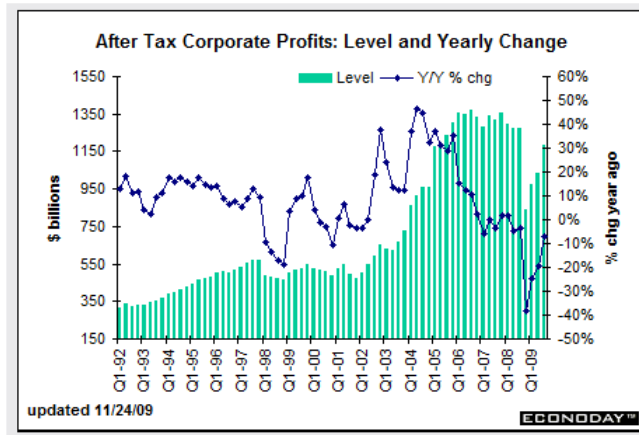
Third quarter GDP was revised downward and consumer confidence did not inspire investors to push the market higher. Although today's volume was below average, the NASDAQ did register another distribution day. Declining issues and volume were dominant in today's trading.

Third quarter GDP economic growth was revised downward to an annualized 2.8% from the initial estimate of 3.5%. The improvement in real GDP in the third quarter reflected upturns in personal consumption, exports, and residential fixed investment and a smaller decrease in nonresidential fixed investment and inventory investment.



Data Source: Haver Analytics

Corporate profits were higher in the 3rd quarter helped by cost cutting and FASB changes. Still investors were encouraged by the increased level although corporate profits are still down 7.2% on a y/y basis.



Data Source: Haver Analytics

Existing home sales yesterday for October were higher by 10.2% although the median price of those sales continued to fall to a new low of \$173,000, down 7.1% y/y. Today's Case-Shiller home price index was in contrast to the existing home sales price data. The report's index for the top 10 cities rose 0.4% in September, on the low side of what is a long strong string of improvement. Year-on-year rates continue to improve, now down to single digit contraction at minus 8.5% for the 10 index.

A cautionary note ... **New Observations.net suggests that the Case/Shiller index still is forecasting another 45% decline in residential values.** OOPS. And then this ...

"Falling house values plunged nearly 10.7m of all residential properties with mortgages into negative equity as of September, according to quarterly data by First American CoreLogic, the property and ownership information provider subsidiary of The First American Corp."

Consumer confidence data helped deflate investors expectations today as shown in the following table. The headline index rose slightly to 49.5, still disappointing compared to August's 54.5 level that raised expectations at the time of significant second-half improvement.

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 confidence	49.3	47.4	54.5	53.4	48.7	49.5
Difference from a year ago	-1.7	-4.5	-4.0	-8.0	9.9	4.8

Data Source: Haver Analytics

According to Reuters, "**The U.S. government insurance fund used to safeguard bank deposits dropped to a balance of negative \$8.2 billion in the third quarter, the first time since 1992 that it had a negative balance, the Federal Deposit Insurance Corp said on Tuesday.**

**However, the FDIC has access to cash through a plan to have the banking industry prepay three years of assessments, and also has the option to tap a \$500 billion line of credit with the Treasury Department."**

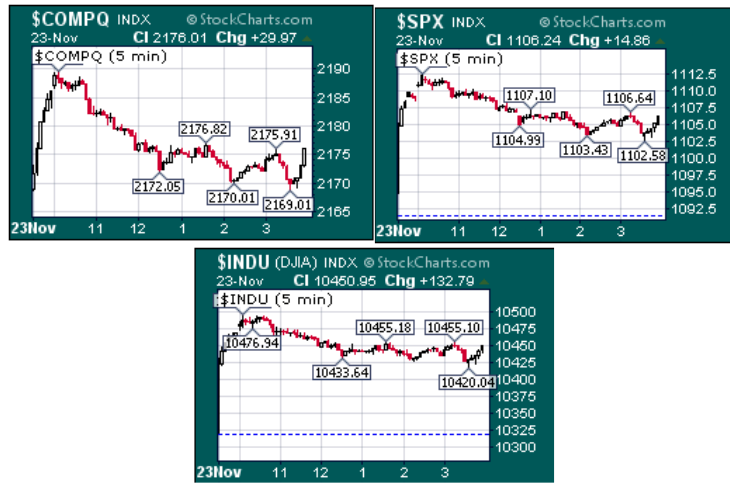
According to Standard and Poor's, **"Every single bank in Japan, the US, Germany, Spain, and Italy included in S&P's list of 45 global lenders fails the 8pc safety level under the agency's risk-adjusted capital (RAC) ratio. Most fall woefully short." In the U.S. we know that the FDIC insurance fund has a negative cash balance and we heard from Sheila Bair today that "the number of banks on the FDIC's "problem list" rose to 552 from 416".**

The possibility of a further financial melt-down must be considered by prudent investors as well as the a probable double dip recession. Today, a friend mentioned that the economy was in the midst of a ski-jump recovery and we might be just headed up towards the end of the ramp.



We made no changes in the portfolios today.

### 11/23/2009 After the Close



### Home sales surprised.

Markets Diary				5:44 p.m. EST 11/23/09			
Issues	NYSE	Nasdaq	Amex				
Advancing	2,365	1,898	273				
Declining	664	742	220				
Unchanged	127	213	54				
Total	3,156	2,853	547				
Issues at							
New 52 Week High	190	129	13				
New 52 Week Low	1	12	7				
Share Volume							
Total	980,047,020	1,840,174,611	13,539,961				
Advancing	796,137,850	1,337,438,650	6,727,751				
Declining	170,657,940	455,642,794	5,125,110				
Unchanged	13,251,230	47,093,167	1,687,100				

When existing home sales printed this morning, the market took off for higher ground. As the initial surprise wore off, the averages moved lower during most of the trading day. Overall volume was lower than on Friday although it was definitely in the bulls favor.

Existing home sales were up a record 10.1% in October to an annual rate of 6.1 million. Expiration of first-time buyer credits probably played a major factor in the upturn. Market supply fell to 7 months as reported by the National Association of Realtors but fails to include the shadow homes held by banks and individuals who have pulled their homes off the market. **According to NewObservations.net**, "Inventory of single-family homes fell 60,000 units in October. They remain oversupplied by 908,000 units when compared to the long-run average."

		Data displayed as levels in thousands					
Released on:	Percent	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09
Released for:	of Total	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
Existing Home Sales	100%	4720	4890	5240	5090	5540	6100
Northeast	17.2%	800	820	930	910	950	1060
Midwest	22.6%	1090	1100	1220	1140	1250	1430
South	37.1%	1740	1820	1950	1890	2040	2300
West	23.1%	1090	1150	1130	1150	1290	1310

Data Source: Haver Analytics

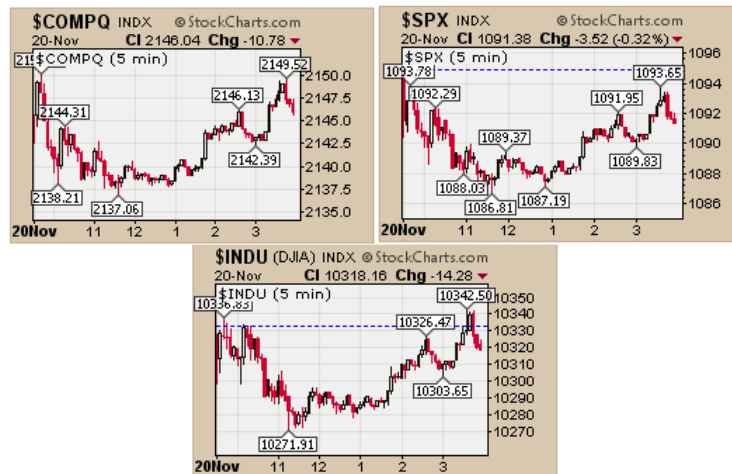
The housing situation keeps getting worse. Nationwide over 14% of all mortgages were either delinquent or in foreclosure. The upcoming Alt-A resets will likely increase that level.

Credit card rates continue to move higher and hence, one should consider that the impact on holiday shopping will be negative as consumers continue to payoff credit card debt.

As of September 30, 2009, the P/E ratio on the S&P 500 was 140.76, an all-time record high. S&P has redesigned its website and removed the P/E ratio ... guess it is just too scary.

We made no changes in the portfolios today.

## 11/20/2009 After the Close



## Down for the week!

Markets Diary			
	6:02 p.m. EST 11/20/09		
Issues	NYSE	Nasdaq	Amex
Advancing	1,283	1,212	222
Declining	1,741	1,409	276
Unchanged	130	201	59
Total	3,154	2,822	557
Issues at			
New 52 Week High	52	44	9
New 52 Week Low	3	21	7
Share Volume			
Total	1,142,398,209	1,962,767,853	15,033,153
Advancing	405,484,670	614,221,601	4,557,750
Declining	685,157,289	1,332,928,951	8,931,503
Unchanged	51,756,250	15,617,301	1,543,900

Another distribution day for the market just about puts this attempted rally to sleep. Today's action makes two days in a row for distribution days for the NYSE and the S&P 500. IBD has now changed its call to "Uptrend under Pressure." As I stated earlier, the latest follow through day had some head winds facing it as the level of most technical indicators like the NYSE Bullish % ratios were near all-time highs whereas in most recent rally attempts, they were at low levels.

The disappointment in Dell's earnings carried over today's trading and along with safe-haven trading for the U.S. dollar, the market was under pressure for most of the day.

Michael David White, a Chicago mortgage broker, **had an interesting take on the housing market.**

"Eight million homes with delinquent mortgages represent a staggering 300% of the normal supply of existing homes for sale. With 3.63 million units now on the market, one million above the long-term average, an inundation of foreclosures represents a fatal death blow capable of inflicting brutal damage on the largest financial market in the world."

If you would like to read the entire article, click on the link above.

Crude was lower while gold closed at its all-time high. Perhaps, Bill Murphy's interview with Bernie Lo is helping the world understand the situation with the gold market. You can find it on Youtube. The links are shown below:

<http://www.youtube.com/watch?v=rw4T6IdHJ3w>

[http://www.youtube.com/watch?v=06\\_NMci4xnw](http://www.youtube.com/watch?v=06_NMci4xnw)

<http://www.youtube.com/watch?v=OYiQZbzeXo>

We sold XLF, JPM, GS and BAC from the Aggressive portfolio today as we are concerned about the developments in the commercial real estate market and rising delinquencies in the housing sector along with the FHA weakness. The high concentration of derivatives among the major money center banks concerns us.

- **Fred Richards**  
**Strategic Investing**

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