

- [Home](#)
- [Strategic Investing](#)
- [Upcoming Events](#)
- [Talks and Workshops](#)
- [Subscribers Only](#)
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- 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

12/11/2009 After the Close



A mixed market.

4:34 p.m. EST 12/11/09			
Issues	NYSE	Nasdaq	Amex
Advancing	2,010	1,573	233
Declining	1,022	1,091	258
Unchanged	97	148	45
Total	3,129	2,812	536
Issues at			
New 52 Week High	237	59	12
New 52 Week Low	5	19	4
Share Volume			
Total	1,015,481,166	1,767,424,813	11,277,199
Advancing	684,274,946	893,708,971	3,101,450
Declining	325,145,120	841,075,615	7,101,649
Unchanged	6,061,100	32,640,227	1,074,100

Today the markets traded in a narrow range on low volatility ... perhaps, we should have gone fishing. The NASDAQ was barely in negative territory while the NYSE managed to end up. Volume was anemic and below the 50 DMA once again.

The November retail sales report was positive but investors did not get very excited. Consumer sentiment for the early December report showed a major increase and once again investors yawned. The inventory report was also positive and the market were complacent. It worries me when good news is met with indifference.

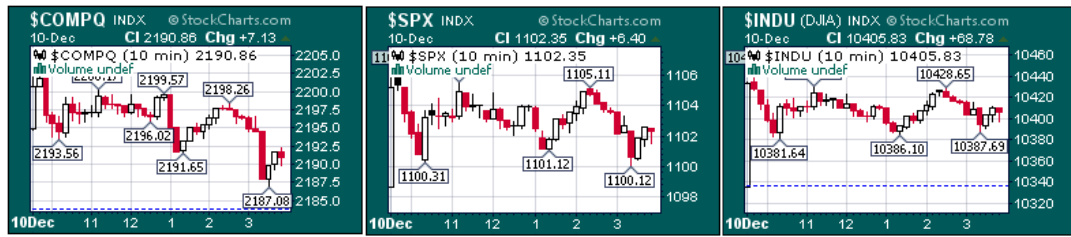
Today, we moved our free cash reserves back to the US dollar from the yen where we had parked them last January at about 97.4:1. Today, we received 88.5:1 for about a 9% increase which sure beat holding those cash reserves in the U.S. and getting puny interest this year. This may be just a year end move.

We did not acquire any stocks in the Precious Metals portfolios this morning. There were no other changes in the portfolios today.

We are now headed out the door to drive towards Phoenix and Prescott Valley, AZ before a meeting Wednesday in Albuquerque, NM on Wednesday morning assuming the weather holds. Monday's Musings may be late. Let us hope that the weather gods favor our trip.

We also want to let you know that we will present "Outlook 2010" at **Fed Friday in Dallas next Friday, December 18th. To register, click here.**

12/10/2009 After the Close

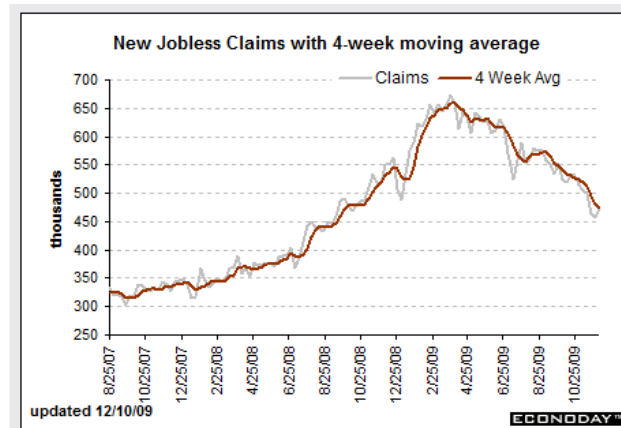


Drifting to a mixed close.

Markets Diary			
	4:34 p.m. EST 12/10/09		
Issues	NYSE	Nasdaq	Amex
Advancing	1,832	1,040	234
Declining	1,197	1,640	232
Unchanged	115	127	59
Total	3,144	2,807	525
Issues at			
New 52 Week High	227	94	15
New 52 Week Low	5	20	1
Share Volume			
Total	1,062,320,901	1,960,972,671	10,897,178
Advancing	661,920,940	1,033,664,839	3,943,500
Declining	383,837,941	886,834,581	5,137,778
Unchanged	16,562,020	40,473,251	1,815,900

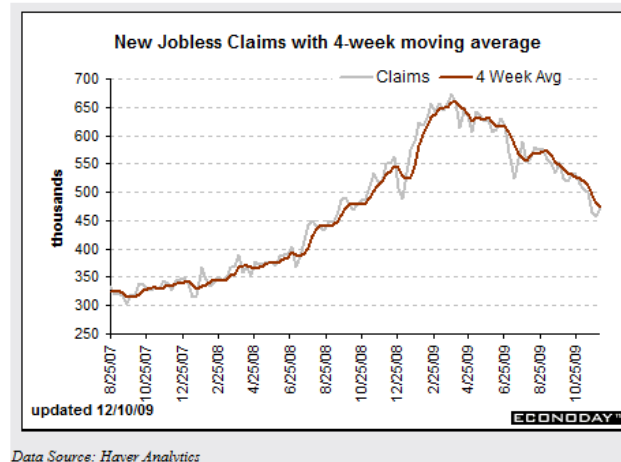
A strong opening and then the markets drifted to a lower close unable to move above the opening move. At the bell, the indices had managed to trade in a narrow trading range although up issues and volume were only positive on the NYSE. For a change, the NASDAQ advancing issues were lower than declining issues but advancing volume was not. The inability to move higher than the opening could be a sign of weakness. The 1100 support level for the S&P 500 managed to hold three times during today's narrow trading session. Volume in today's trading remained below the 50 day moving average.

Initial jobless claims for the w/e December 5 were at 474,000 were up from the previous week but still below the 500,000 level. The four week average continues down. Continuing claims dropped to 5.16 million but the drop was probably due to benefits running out.



Data Source: Haver Analytics

October's trade deficit was slightly lower at \$32.9 billion from a revised \$35.7 billion deficit in September.

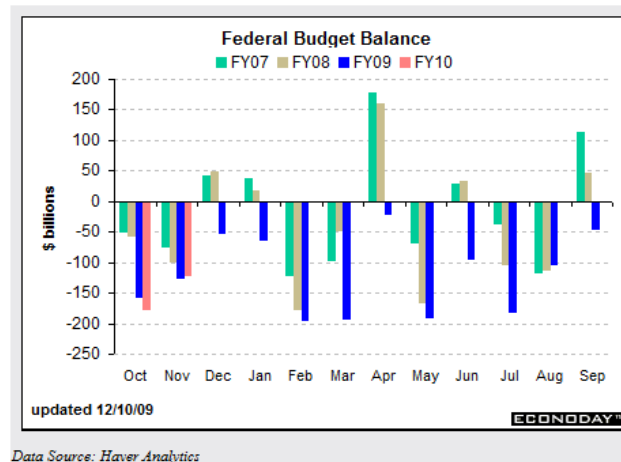


The 30 year bond auction saw the yield moving higher to 4.52%. Clearly, many buyers are not enthusiastic about current yields with the U.S. dollar showing continued weakness. Indirect bidders only took 40.2% versus an average of 42.8%. Looks like foreign banks and individuals are not as eager to buy now. Long bond yields have now moved to a four-month high following the 30 year auction today.

The U.S. Treasury reported its November deficit at \$120.3 billion for a record 14th straight month. The deficit for FY 2010's first two months is a record at \$296.7 billion. Former Fed Chairman Paul Volcker was quoted on Wednesday as saying,

"Holdings of dollars around world have reached increasingly uncomfortable levels for those holding it and those responsible for its stability,"

Now that is just stating the obvious!



The Associated Press reported today that the Treasury Department acknowledged that it lost \$61 billion on the AIG, GM and Chrysler so-called lifelines which were design to stabilize the economy following the financial crisis. Those losses are expected to be offset by about \$19.5 billion in profits from bank bailouts. The net loss to taxpayers is about \$41.5 billion. Anyone want to bet that the net loss will go up in the future?

While the health reform bill continues to be debated, it appears that the **effort to reform the financial markets is going to fail.** It is obvious who is bankrolling the Democratic party.

Of course, the limitations on pay and the imposition of punitive taxes in the financial industry in the U.S., Great Britain and France are going to change the location of the financial centers very quickly. Talk about cutting off one's head to fix a hang-nail! But then most politicians have very little understanding of business and how in this electronic world, physical location is almost meaningless.

RealtyTrac reported that US foreclosures rose 18% y/y in November. The company expects that foreclosure filings in the U.S. will be 3.9 million in 2009, the second straight record year. Looks like it might be a difficult year in 2010 for real estate.

Debt defaults in the commercial real estate markets is beginning to attract attention. **Forbes magazine's article was very unkind to many speculative debt issuers.**

In the portfolios, we were able to buy a small addition in SMXMF in the Precious Metals portfolio. Depending upon the overnight gold movement and the opening of the gold shares, we could re-enter positions in the Precious Metals tomorrow. There were no other changes in the portfolios.

12/09/2009 After the Close



Struggled to close higher.

Markets Diary		5:36 p.m. EST 12/09/09		
Issues	NYSE	Nasdaq	Amex	
Advancing	1,678	1,315	275	
Declining	1,351	1,295	205	
Unchanged	113	221	61	
Total	3,161	2,831	541	
Issues at				
New 52 Week High	132	47	12	
New 52 Week Low	7	21	3	
Share Volume				
Total	1,082,555,003	1,906,219,148	13,063,582	
Advancing	550,181,900	1,178,630,021	7,674,510	
Declining	514,592,203	644,858,764	3,256,372	
Unchanged	17,780,900	82,730,363	2,132,700	

After opening in negative territory, the indices managed to finally end in higher ground today as a late afternoon rally remained intact. However, volume was slightly lower than yesterday.

There was little economic news to excite either the bulls or bears. Low mortgage rates averaging 4.88% for 30 year loans. helped the Mortgage Bankers Association purchase index to rise 4% in the December 4th week while the refinance index was up 11.1%.

The CEO of Southwest Airlines had a couple words on the economy today while explaining why the discount airline is cutting capacity in 2010:

"Business travel continues to lag, and I'm not comfortable reporting any improvement in that market...I don't think it's gotten worse, but I'm not expecting strong economic growth in 2010 or a rebound in business travel"

The level of wholesale inventories rose for the first time over over a year by 0.3%. Perhaps, it was just a rounding error as the bulk of the increase was due to harvest of agriculture products. Manufactured goods and apparel inventories were lower, however.

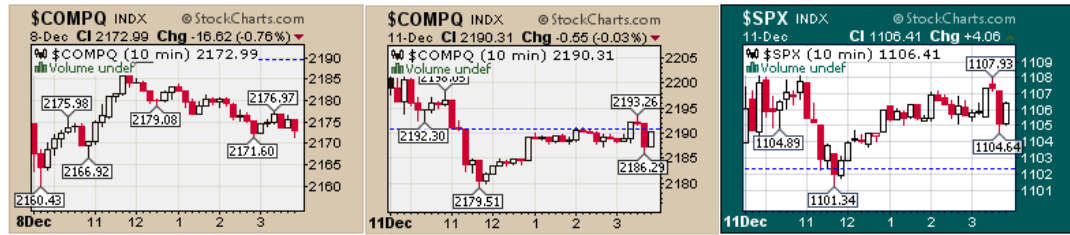
The Treasury auction \$21 billion of 10 year notes today. The interest rate was higher than expected at 3.448% and indirect bidders only bought 34.9% of the notes whereas they had purchased 47.3% in November. The spread between the 2 year and 30 year Treasuries rose to 366 basis points as the Treasury tries to sell \$13 billion of 30 year bonds tomorrow.

Despite many TARP recipients trying to pay back money, Treasury Secretary Geithner is expected to tell Congress that the Administration wants to extend TARP to October 2010 rather than letting it expire on December 31st. Apparently, Obama and the Administration would like to keep the slush fund around.

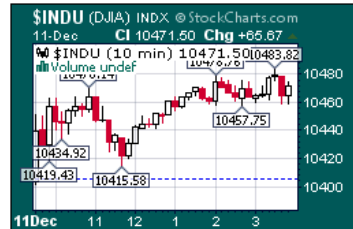
The credit rating agencies downgraded the status of sovereign Spanish and Greek debt and have threatened to lower their ratings on U.A.E. debt. These downgrades will trigger hidden OTC credit default swap liabilities, of which many will likely default, wreaking all kinds of downside havoc to our bubbliciously overvalued equity markets.

We made no changes in the portfolios today.

12/08/2009 After the Close



Headed down?



The market drop in overseas markets could not be overcome by the U.S. indices today as they all swooned. In fact, as volume was higher than yesterday, chalk up distribution days for the major indices. Declining issues and declining volume were dominant in today's trading.

Whitney on the economy!

Is the economy really getting better? Meredith Whitney speaking on CNBC obviously is not in agreement with the main stream media:

"I have 100% conviction that the consumer is not getting any better and there's not more liquidity." She also said, "I think they're out of bullets (government),... What's so frustrating is you have an administration that is arguing such a populist (ideology) and not appreciating all the unintended consequences that the consumer and small businesses have far less credit...You're going to get a situation where you revert from a consumer standpoint...where those that had bank accounts for the first time, credit cards for the first time, homes for the first time get kicked out of the system and then fall prey to real predatory lenders."

The ICSC-Goldman and Redbook sales data suggests that Christmas shopping is not going well this year. Same store sales in the ICSC-Goldman report fell 1.3% in the week ended December 5th. Redbook reported a 1.2% loss in the same week. Wonder if bigger discounts will help?

New Obama Plans: "Spend our way out of Downturn."

Apparently, even President Obama is concerned that the economy remains in trouble. Today he outlined new multi-billion stimulus and jobs proposals stating that the nation must continue to "spend our way out of this recession" until more Americans are back to work.... without giving a price tag, Obama proposed a package of new spending for highway, bridge and other infrastructure projects, deeper tax breaks for small business and tax incentives to encourage people to make their home more energy efficient.

Forget purchasing power is the Obama message ... the government will continue debasing the U.S. dollar by printing as much money as it needs as it tries to create jobs. The hidden message is that the economy is in deep doo-doo despite what the Ministry of Truth declares.

Insiders continue to bailout!

Insider sales continue to seriously outpace insider purchases and the rate is accelerating. In August 2009, there was a 31:1 dollar ratio of sales to buys. In November, the ratio has grown to 82:1. If these is a real bull market rally, why are the insiders selling?

CRE is headed to a train-wreck.

The real estate problem is not just in the U.S. In Dubai, those little islands made out of sand were being sold for \$26 million apiece. The price has now dropped to \$6 million. Just wait until the panic spreads in the commercial real estate market and be aware that a large amount of the mortgage money loaned on commercial real estate is held by pension funds and insurance companies. Do you know if your assets will be affected by the coming shrinkage of values?

Where's the TinMan?

The land of make-believe continues. Never would I have believed that investors would be willing to buy \$29 billion of four-week U.S. Treasury bills at an interest rate of 0%. What advantage do you get? You might as well have left the funds in your checking account. The 5.33 bid-to-cover ratio certainly has me wondering about the intelligence of the bond buyers.

We made no changes in the portfolios today.

12/07/2009 After the Close



Looking for a direction.

Markets Diary			
	5:56 p.m. EST 12/07/09		
Issues	NYSE	Nasdaq	Amex
Advancing	1,661	1,348	231
Declining	1,387	1,290	261
Unchanged	119	209	58
Total	3,167	2,847	550
Issues at			
New 52 Week High	222	100	11
New 52 Week Low	2	9	0
Share Volume			
Total	1,059,156,782	1,878,987,336	14,054,861
Advancing	463,048,150	907,971,652	5,535,310
Declining	579,987,332	920,394,328	7,796,251
Unchanged	16,121,300	50,621,356	723,300

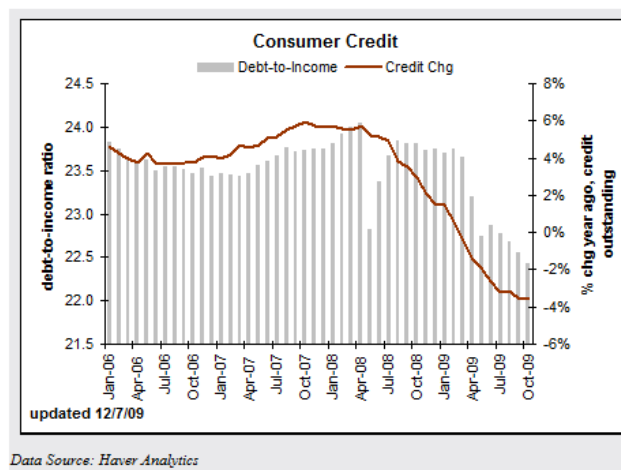
After the Bernanke speech, the markets took a tumble and then ended mixed after trying to parse his comments. The DJIA barely made it into positive territory while the NASDAQ and S&P 500 could not. As volume was down from Friday, more distribution days were not added to the count. Sixty percent of stocks on the NYSE and NASDAQ are above their 20 day simple moving average. Perhaps, the market's overbought condition is about ready to be tested.

Bernanke in his talk before the Economic Club of Washington stated:

"Right now we are still looking at the extended period, given that conditions remain, low rate utilization ... and stable inflation expectations, that remains where we are now ... we continue to look at the economy, obviously there have been signs of strength recently."

Obviously, the market reacted negatively to Bernanke's comments.

The consumer continues to lighten up as the FED announced that consumer credit dropped another \$3.5 billion in October. It was the ninth straight monthly decline. Credit card demand fell 9.3% in October. However, demand for auto loans rose at a 2.6% annual rate. As the consumer continues to account for the majority of GDP spending, reduction in consumer credit suggests continued restraint in the GDP data.



Bill King of the respected King Report echoed my concerns about the November jobs report:

"The ridiculously good November NFP is beyond comprehension. It is not supported by ADP data, other private data, ISM data, tax receipts, which still show large declines, retail sales or consumer confidence.

Plus the BLS revised September and October NFP 159k higher!!! Thank you, Ministry of Truth!...

Therefore, November 2009 (FY 2010) withheld income & employment taxes are: \$271,591 (FY to date) minus \$19, 186 (Dec.) minus \$135, 328 (Oct) or \$117,077.

November 2008 (FY 2009) withheld income & employment taxes are \$144,782 (million); November 2009 (FY 2010) taxes are down 19.14% or \$27.7B!!! Do you still believe the NFP number?

For the past three months, which BLS has job growth of 1.177m, withheld income & employment taxes are \$471,307. For the same period last year, with job losses of 120k, taxes are \$581,857.

How can the past three months show job growth of about 1.3 million y/y when withheld income & employment taxes declined from \$581,857 to \$471,307 (\$101.5B), for a decline of 19% y/y!!!"

Another dissenting voice about the jobs report came from Trim Tabs today. **The TrimTabs employment analysis, which uses real-time daily income tax deposits from all U.S. taxpayers to compute employment growth, estimated that the U.S. economy shed 255,000 jobs in November.**

In November 2009, non-farm employment fell by 11,000 even as the birth/death rate adjustment added 30,000 jobs as a fudge factor. The unemployment rate fell to 10% from 10.2% despite losing 41,000 manufacturing jobs during the month only because the civilian labor force fell by 98,000 jobs. The main areas of increasing employment in November were health care and government jobs.

On Friday, the FDIC closed four banks bring the total to 130. AmTrust Bank in Cleveland was the largest with about \$12 billion in assets and \$8 billion in deposits. The FDIC and New York Community Bank entered a loss-share agreement on about \$6 billion of AmTrust assets. The Buckhead Community Bank of Atlanta, Georgia was closed with \$874 million in assets and about \$838 million in deposits. State Bank and Trust Company purchased the assets subject to a loss-share transaction on approximately \$692 million in assets. The Tattnell Bank had total assets of \$49.6 million and total deposits of approximately \$47.3 million. Benchmark Bank of Aurora, Illinois had total assets of approximately \$170.0 million and total deposits of approximately \$181.0 million. The FDIC and MB Financial Bank entered a loss share agreement on about \$139 million. First Security National Bank of Norcross, Georgia had assets of about \$128 million and deposits of \$123 million. State Bank & Trust purchased \$118 million of the assets and the FDIC retained the rest.

Have you noticed how more medium sized banks are being closed? By using loss-share agreements, it is hard to evaluate the FDIC's exposure to these assets.

Of course, the financial system is still in trouble despite all the manipulations of the TARP program, the Treasury and the Federal Reserve System. According to the Congressional Budget Office, the U.S. government spent \$292 billion more than it received in the first two months of FY 2010, a record amount. November receipts were only \$132 billion, down 9% from November 2009.

If you were worried about the price of gold, remember that there is a major problem. Physical gold is in short supply while fiat gold as represented by derivatives can be sold as long as trees can be made into paper. The U.S. Treasury can not supply one-tenth ounce American Eagle coins ... claiming that they were unable to satisfy demand. Central Banks in Russia, China and India are selling their U.S. dollar reserves to acquire gold bullion. Forget gold derivatives ... get physical gold and take delivery.

Today, we sold CAAS from the Aggressive portfolio. There were no other changes in the portfolios.

12/04/2009 After the Close



Closing the week positively.

Markets Diary			
	6:11 p.m. EST 12/04/09		
Issues	NYSE	Nasdaq	Amex
Advancing	2,169	1,965	243
Declining	865	671	235
Unchanged	131	211	79
Total	3,165	2,847	557
Issues at			
New 52 Week High	288	129	19
New 52 Week Low	7	30	7
Share Volume			
Total	1,574,449,553	2,305,959,357	15,312,904
Advancing	974,677,353	1,715,616,443	5,099,720
Declining	382,775,500	519,677,562	8,969,900
Unchanged	216,996,700	70,665,352	1,243,284

With the exception of the HUI (Gold Bugs index), most indices closed the week in positive territory on the strength of the jobs report and an improved factory orders scenario. Gold settled 4.0% lower at \$1169.00 per ounce. Gold stocks gave up 4.6%.

Shortly after the open, the NASDAQ and DJIA made new 2009 highs but were unable to hold the gains and struggled in the afternoon to stay in positive territory. Volume on the major exchanges increased. Advancing issues and volume were definitely in control today.

Do I believe today's jobs report? To tell the truth with the extent of revisions which the Ministry of Truth is routinely making to the report, I have serious doubts as to the credibility of the report. Joshua Shapiro, Chief U.S. Economist, MFR, Inc. also has doubts:

"Today's payroll report was clearly much better than we and most others expected. This is because it is contrary to virtually all other evidence concerning the labor market, including a survey by ADP which is based on hard data from a much larger sample. Because the government's report this month is an outlier, we are not prepared to throw in the towel on our expectation of a second consecutive "jobless recovery".

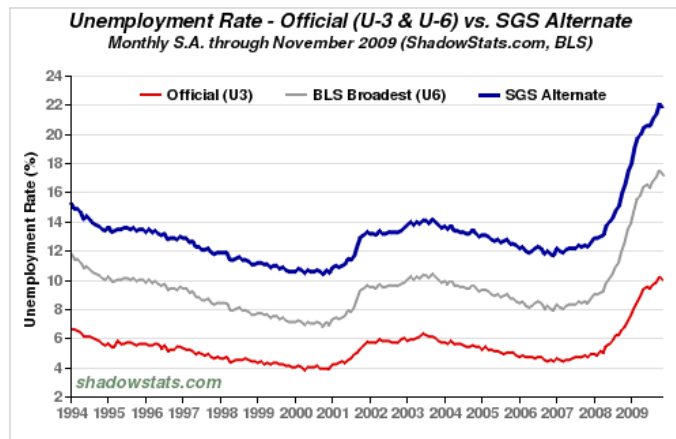
Today, the gold sector was under pressure as buyers took profits in both bullion and gold shares as the dollar rose as interest rates increased slightly and expectation that the FED might raise short-term rates early next year. Should we look to buy on the dips? Or will the price for bullion and/or gold/silver stocks continue to fall? We will be watching closely to re-enter our positions in precious metal equities.

The unemployment rate fell in November from 10.2% to 10% according to the BLS. The non-seasonally adjusted data shown below paints an even better picture of the jobs situation. To confuse the electorate, the BLS is going to change the data stream and reports in the interest of social engineering and "transparency" commencing with the January 2010 report. The birth/death model only added about 30,000 jobs to the seasonally adjusted total drop of 11,000 jobs increased in the month.

2009	Establishment Survey Data Not Seasonally Adjusted All data in '000's.	Previous Month							
		Aug	Change	Sep	Oct	Nov			
	Civilian noninstitutional population	236087	217	236322	235	236550	228	236743	193
	Civilian labor force	154897	1358	153617	1280	153635	18	153539	96
	Participation rate	65.6		65		65		64.9	
	Employed	140074	33	139079	995	139088	9	139132	44
	Employment-population ratio	59.3		58.9		58.8		58.8	
	Unemployed	14823	378	14538	285	14547	9	14407	140
	Unemployment rate	9.6		9.5		9.5		9.4	
	Not in labor force	81190	1576	82706	1516	82915	209	83204	289
	Persons who currently want a job	5728	516	5650	78	5621	29	5618	3

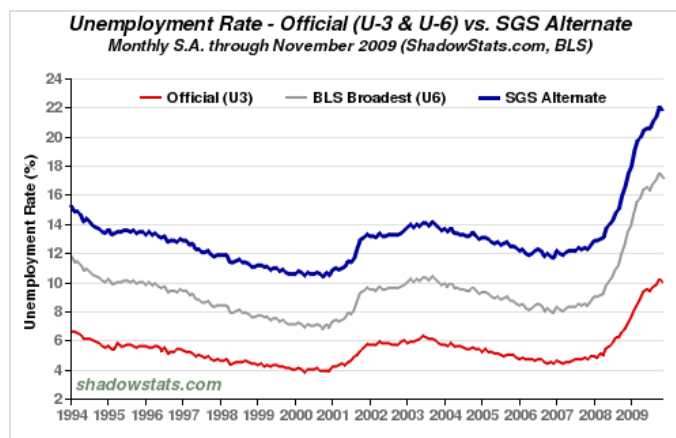
Source: BLS Reports. Table A-1, NSA data

Shadow Government Statistics chart of the various unemployment rates shows that the improvement in November is hardly worth mentioning.



Factory orders increased for the first time in a year in October according to the Commerce Department's report. Factory orders rose 0.6% and the rounding error had TV analysts suggesting the the manufacturing sector was returning to health. Factory inventories also rose 0.4% in the month.

Worries that the FED might be reducing liquidity do not appear correct as broad money growth forged to a new high in the two-week period ending December 2nd.



For the first 11 months of 2009, bankruptcy filings totaled about 1.33 million, 21% more than the 1.1 million recorded for all of 2008.

You might want to refer to yesterday's comments about the North Korean devaluation before reading the next paragraph and thinking through the various possibilities.

Bank of America, the largest bank in the U.S., posted notices at all branches that as of January 1, 2010 it will no longer participate in The FDIC insurance guarantee program on interest bearing accounts. As of January 1, 2010, all deposits in interest bearing accounts will not be protected from bank losses. This development not only suggests

that the FDIC is totally insolvent. It suggests that U.S. fiat money, placed in interest bearing accounts, will soon be defaulted in bank losses or replaced.

Shortly after today's opening, we sold BVN in the [Aggressive portfolio](#). We also sold most of the gold shares in the [Precious Metals portfolio](#).

- **Fred Richards**
Strategic Investing

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