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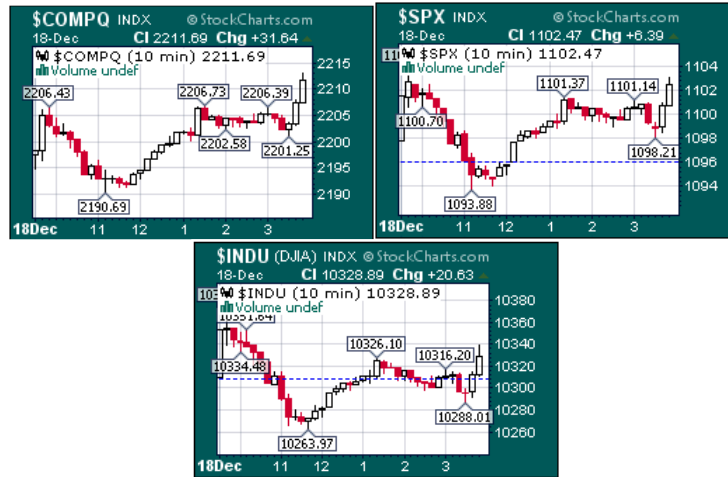
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Market Musings

12/18/2009 After the Close

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Closed higher today.

Markets Diary				4:34 p.m. EST 12/18/09
Issues	NYSE	Nasdaq	Amex	
Advancing	1,774	1,633	243	
Declining	1,242	1,094	229	
Unchanged	118	111	60	
Total	3,134	2,838	532	
Issues at				
New 52 Week High	200	112	17	
New 52 Week Low	6	41	5	
Share Volume				
Total	3,159,634,205	2,870,901,448	50,714,117	
Advancing	2,314,946,505	2,147,483,583	26,836,067	
Declining	802,311,900	679,476,559	21,250,850	
Unchanged	42,375,800	43,941,306	2,627,200	

Iran's forces made a foray into Iraq overnight and the dollar and crude oil were higher. The oil well where Iranian forces congregated is on the border between the two countries and been a source of dispute before. Do not get too excited over this incursion unless it escalates. According to the reports, the well field is not in production.

The markets ended higher after a lot of churning on options expiration day. The NYSE trading volume was the highest of the year and over 3.1 billion shares. Perhaps, it was just year end window dressing trying to keep all those bonus dollars from disappearing.

Both Martin Feldstein, a Harvard economist, and Bill Gross of Pimco commented negatively on the outlook for the economy during 2010. Feldstein basically said that the housing mess still has not been solved and the mortgage refunding and the first-time buyers program did little to change the fundamental problem that housing prices had risen faster than personal income. In the past month, Pimco's Total Return Fund has increased its cash holdings and cut

U.S. Treasuries back to 51% from 63% and holdings of mortgage securities to 12%, its lowest percentage in history. Apparently, Pimco is expecting bond rates to increase.

Although today's volume was tilted to the upside and advancing issues dominated, the swings in the market were boosted by a late 30 minute rally that looked like a PPT effort.

The Euro with problems surfacing in Greece/Spain/Portugal and Austria is nearly at its 200 day moving average. If it breaks that level expect further deterioration in its value. One German analyst wrote today that he could foresee the Euro back at the 1.25 handle in the first quarter of next year. Oops!

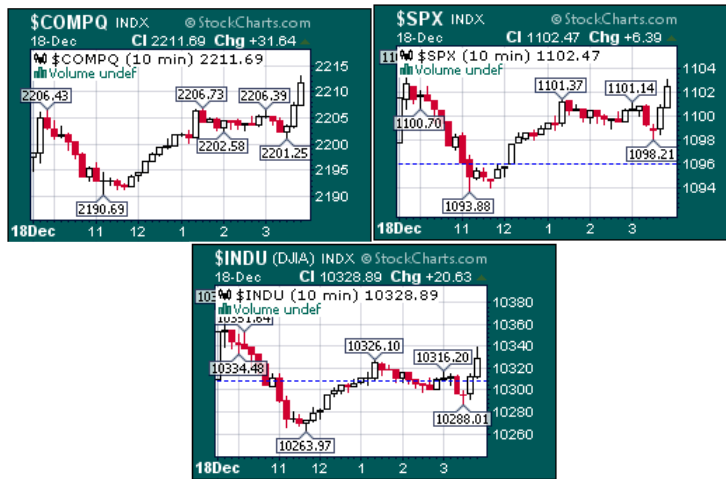
This weekend is a critical period for holiday sales and several analysts are suggesting that all is not well in retail land.

THE FDIC closed only the Rock Bridge Bank in Georgia today, the 124th to fail this year. Total Assets were about \$294 million and it what might be the first of many future bank closing, the FDIC could find no other bank to take over the failed institution.

In a last minute vote, Congress voted to raise the debt ceiling by \$290 billion which at the current rate is about six weeks spending. I guess that they will try to raise it another \$2 trillion when Congress reconvenes in January 2010.

In the Aggressive portfolio, we sold CTRP as it violated its Action Price. There were no other changes in the portfolios. Have a great weekend ... we are trying to decide whether we will brave the stores this weekend or not or just loaf around the house following our trip last week to Arizona.

12/17/2009 After the Close



More distribution ...

Markets Diary				4:34 p.m. EST 12/18/09
Issues	NYSE	Nasdaq	Amex	
Advancing	1,774	1,633	243	
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The indices fell at the open bell and ended near the lows for the day. Declining volume and issues were dominant even though Citibank traded a huge number of shares today. The U.S. dollar moved to a three month high today. Tao Dong, a Hong Kong-based economist at Credit Suisse said:

"The greatest risk in 2010 is the U.S. dollar and the unwinding of the carry trade."

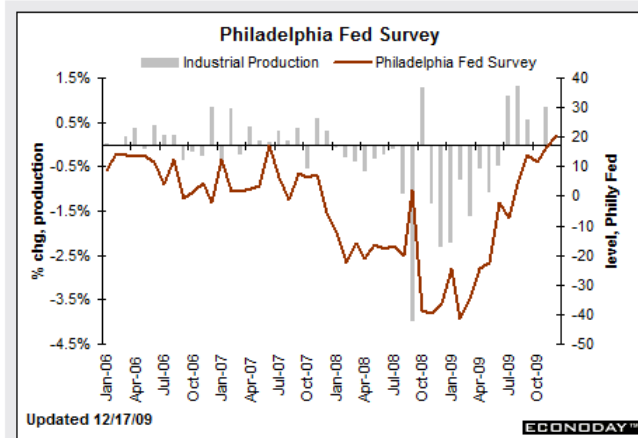
At least, some economists understand the risks inherent in the U.S. financial markets. Also, in testimony today before the Senate Homeland Security Committee, former Federal Reserve Chairman Alan Greenspan warned that the "U.S. faces the threat of an unprecedented fiscal crisis because of record red ink." Nevertheless, Congress continues to pass huge spending increases and no one has the gumption to say ... NO MORE!

Of course, today the Senate decided to send Helicopter Ben's name to the floor for renomination as Chairman of the Federal Reserve System.

In advance of options expiration, gold and commodities were hard hit. Gold fell to November lows as investors continued to be concerned about sovereign debt defaults in countries like Greece. The dollar rose against the Euro today. Of course, the US Treasury has a huge amount of debt refinancing to do in the near future also .. about \$3-\$4 trillion in 2010.



Leading indicators for November showed improvement for the eighth month in a row. But if the economy is improving why is Morgan Stanley turning over to its lenders those "first class office properties in San Francisco." The Philly Fed report showed growth while the Empire State report showed contraction. Production appears to be just "muddling through" for now.



Data Source: Haver Analytics

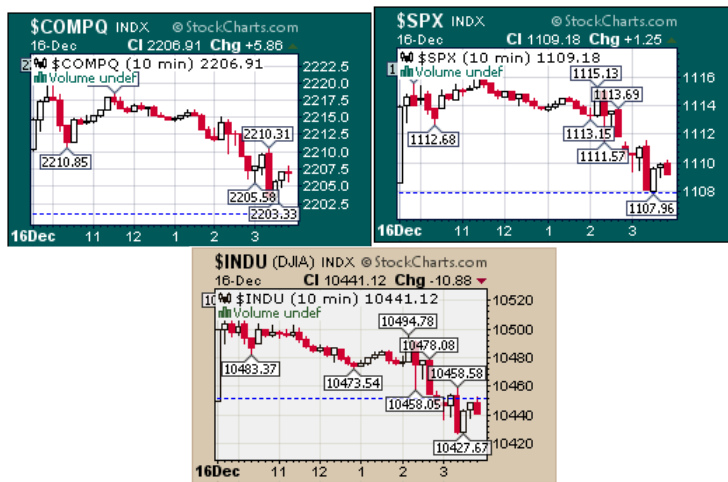
This so-called economic recovery has been built almost solely by direct Government stimulus in the auto, housing and defense/military industries along with accounting rule changes by FASB to sweep the financial securitization carnage under the rug. After the holiday season is over, we will probably see increased retail bankruptcies and in service businesses as well as an increase in the commercial real estate arena as vacancy rates at shopping malls and office buildings grow.

Jobless claims rose by 7,000 to 480,000 in the December 12th week. Continuing claims also rose to 5.18 million unexpectedly. The Ministry of Truth blamed the increase in new jobless claims on "seasonal factors."

In the Aggressive portfolio, we added MA, SBAC and FLIR as long-term plays. Each of these has a unique position in their field and in the case of MA and SBAC, profitability is the result of a growing market worldwide. There were no other changes in the portfolios today.

Tomorrow is the 2010 Outlook presentation at FED FRIDAY here in Dallas so will close to finish updating the program.

12/16/2009 After the Close



A mixed reception ...

Markets Diary		6:10 p.m. EST 12/16/09		
Issues	NYSE	Nasdaq	Amex	
Advancing	1,980	1,565	278	
Declining	1,076	1,098	204	
Unchanged	116	189	69	
Total	3,172	2,852	551	
Issues at				
New 52 Week High	285	143	15	
New 52 Week Low	3	19	1	
Share Volume				
Total	1,166,400,185	2,022,440,752	13,819,136	
Advancing	613,878,270	1,273,123,052	7,522,686	
Declining	518,886,595	731,808,643	4,498,850	
Unchanged	33,635,320	17,509,057	1,797,600	

The FED issued its reading of the tea leaves and the markets became to worry about the effects of low interest rates and higher commodity prices. The dollar was also weaker as the market opened which helped stocks move higher but the FED statement took the strength out of the rally. NASDAQ logged a 52 week high before fading in the afternoon.

The FED is seeing signs of green shoots but expects to keep the federal funds rate at the current historic lows for an "extended period." With another massive deficit looming, the FED has about only one avenue left and that is to find a couple of extra hours and days each week to run the printing press.

Also, the U.S. Treasury is faced with having to refinance a record \$2.5 trillion bills, bonds and notes in 2010 in addition to finding someone to buy up all the new paper the FY 2010 deficit

will require. Simply astounding and hard for me to comprehend that interest rates will stay in the current low ranges.

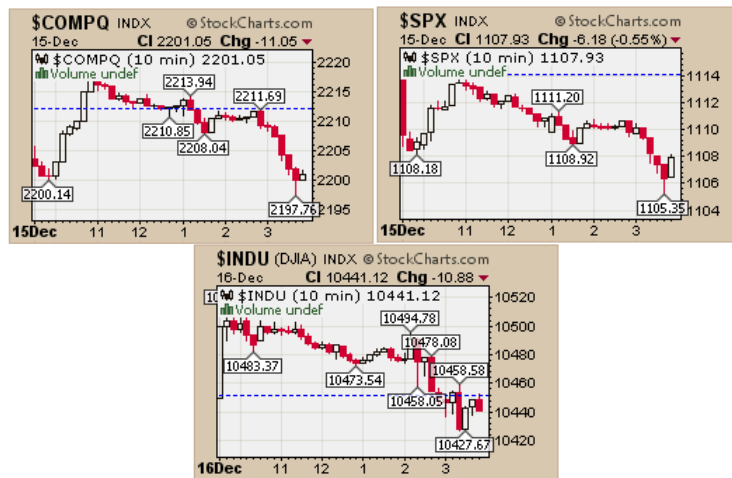
To further compound the problem, the U.S. current account deficit rose to \$108 billion in the 3rd quarter as the trade deficit increased. The Gulf petro-powers have made it official ... **they are going to launch a single currency modeled on the euro and the Arab Gulf states will eventually end the use of U.S. dollars to price oil.**

There was enthusiasm for the home builders but don't get too excited about the knee-jerk reaction to today's data on permits and housing starts for November. Another report had U.S. homebuilder sentiment falling in December. Government tax credits, lower home prices and borrowing costs near record lows may boost sales and construction in coming months according to a government report.

After a 10% correction recently in the price of gold, COMEX raised the gold margin requirement tonight ... New levels are \$5403 initial per contract (the old one was \$4500), and \$4002 maintenance.

We have now returned home. We did not make any changes in the portfolios today.

12/15/2009 After the Close



Distribution before the FED speaks.

Markets Diary			
	6:11 p.m. EST 12/15/09		
Issues	NYSE	Nasdaq	Amex
Advancing	1,208	1,021	188
Declining	1,847	1,663	297
Unchanged	123	166	61
Total	3,178	2,850	546
Issues at			
New 52 Week High	220	130	17
New 52 Week Low	3	19	4
Share Volume			
Total	1,179,264,980	1,946,966,596	18,132,068
Advancing	389,726,950	699,424,100	5,581,240
Declining	772,408,480	1,215,855,090	8,466,328
Unchanged	17,129,550	31,687,406	4,084,500

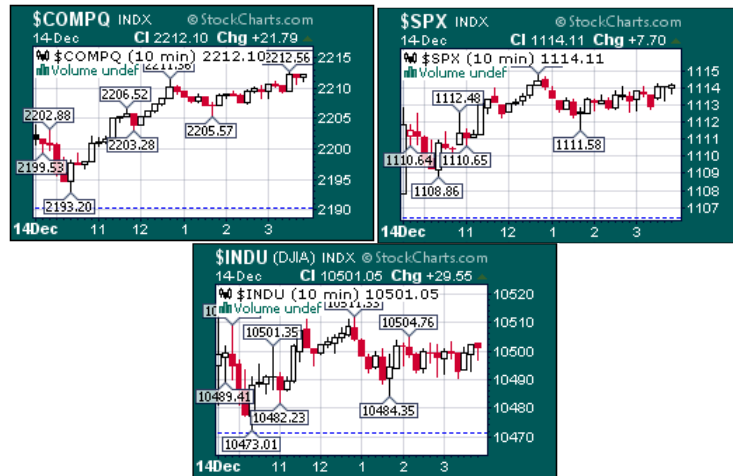
Disturbing economic data helped the markets record another distribution day in advance of the FED communiqué tomorrow. Producer prices surged while Empire State manufacturing fell back sharply. The year end sales rush is not setting any records despite wide discounting.

Worries over sovereign debt exposures in Eastern Europe and Greece remained although it would appear that Dubai brought some time to try to handle their debt problems.

We started the day in Scottsdale at 5 a.m., gave a talk in Prescott, AZ and after a long trip have finally arrived in Albuquerque, NM for the night. It has been a long day so will close.

We made no changes in the portfolios and should be back in Dallas late tomorrow evening.

12/14/2009 After the Close



A good day!

Markets Diary			
	5:44 p.m. EST 12/14/09		
Issues	NYSE	Nasdaq	Amex
Advancing	2,256	1,815	281
Declining	790	851	213
Unchanged	137	197	60
Total	3,183	2,863	554
Issues at			
New 52 Week High	298	111	17
New 52 Week Low	3	10	4
Share Volume			
Total	1,076,304,484	1,841,891,820	14,666,088
Advancing	740,597,664	1,450,246,596	9,357,800
Declining	308,164,420	361,647,581	4,491,938
Unchanged	27,542,400	29,997,643	816,350

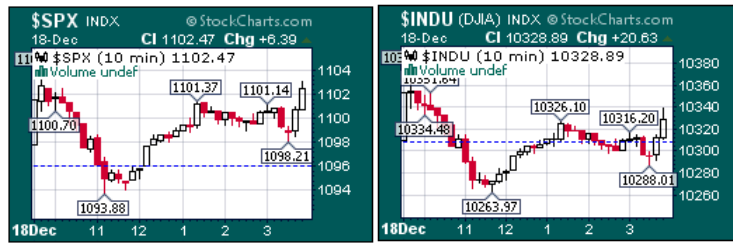
The Dubai bailout news helped the market open higher. Retail sales data also helped keep the indices in positive territory during the day. However, with the FED meetings this week and a number of economic reports out later this week, investors were hesitant to bid markets higher. Advancing issues and volume were dominant today as the major indices were moving toward yearly highs.

On Friday evening, the FDIC closed three additional banks which might cost the insurance fund about \$650 million. During the past two years, the FDIC has closed 159 banks and taking losses in excess of \$57 billion. And there is more to come according to Shelia Blair, the head of the FDIC.

Interest rates rose, the dollar fell, and we are under severe time pressures this evening. So will close.

We made no changes in the portfolios today.

12/11/2009 After the Close



Markets Diary 4:34 p.m. EST 12/18/09

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A mixed market.



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.](#)**

- **Fred Richards**
Strategic Investing

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