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U.S. Economy Grew 3.1% in Fourth Quarter

([Bloomberg](#))-- The [U.S. economy](#) grew at a 3.1 percent annual rate in the fourth quarter, led by a jump in consumer spending that will be hard to match early in the year as energy prices surge. The revised increase in gross domestic product compares with a 2.8 percent estimate issued last month, figures from the Commerce Department showed today in Washington. Earnings at financial firms led a 2.3 percent increase in corporate profits from October to December that capped the biggest annual gain in six decades.

More commentary at [ZeroHedge](#).

U.S. Consumer Sentiment Fell More Than Forecast in March

([Bloomberg](#))-- Consumer sentiment in the U.S. dropped more than forecast in March, damped by higher gasoline costs and the effects of [Japan](#)'s natural disaster. The Thomson Reuters/University of Michigan final index of consumer sentiment decreased to 67.5, the lowest level since November 2009, from 77.5 in February, the group said today. The median forecast of 67 economists surveyed by Bloomberg News projected a reading of 68.

Consumer sentiment is declining globally. See [article by Mish](#).

Japan nuclear crisis: 'Fukushima 50' face new setback

([The Telegraph](#)) The "Fukushima Fifty," the group of Japanese workers battling the worst nuclear disaster since Chernobyl in 1986, faced a new setback following a spike in pressure at one of the reactors they are trying to contain.

For more on the Fukushima 50, [click here](#) and [here](#).

Is the snap back too hasty?



-- The [Investment Company Institute](#) has reported a \$1.3 billion outflow from domestic equity funds last week. The new buzzword for investors is de-risking. As the situation in Japan goes [from bad to worse](#), it may be wise not to make some automatic assumptions about a quick recovery. This is a time to exercise extreme caution.

Stocks gain...bonds lose.



-- [Treasuries](#) headed for their steepest weekly loss in almost two months as stocks gained around the world, eroding demand for the safety of debt. Ten-year yields were about one basis point away from the highest level in two weeks as Toyota Motor Corp. said it plans to resume production of some models in [Japan](#), after an earthquake and tsunami idled plants for two weeks. U.S. Secretary of State [Hillary Clinton](#) said the NATO alliance will take

responsibility for enforcing a no-fly zone over [Libya](#).

Gold is looking exhausted again.



-- [Gold futures](#) fell on bets that the rally yesterday to a record was overdone. Silver also declined as the dollar rose against a basket of major currencies and U.S. equities gained.

“Gold made new highs, but it didn’t have any follow-through,” said [Frank Lesh](#), a trader at FuturePath Trading LLC in Chicago. “If you’re a trader bulled up in gold and it didn’t launch, you have to sell.”

Japan is not in recovery yet.



-- Foreign investors bought a record amount of [Japanese stocks](#) last week after the nation's equities markets tumbled in the wake of the March 11 earthquake and resulting nuclear accident. Foreign investors bought 891 billion yen (\$11 billion) in Japanese stocks in the week through March 18, the most since comparable records began in 2005, according to the Ministry of Finance in Tokyo. Looking at comparable data, this is "substantially the most on record,"

said Yoshihito Hidaka, an official at the Ministry of Finance. *Buyer beware.*

China's economy is expanding. Is inflation still a problem?



-- [China's stocks](#) rose, capping a weekly gain for the benchmark index, as signs of an expanding economy bolstered optimism earnings will exceed analyst estimates and a drop in [oil prices](#) eased inflation concerns. The Shanghai Composite Index, which tracks the bigger of China's stock exchanges, gained 31.11 points, or 1.1 percent, to 2,977.81 at the 3 p.m. close, the highest since March 9. It has added 2.4 percent this week, the

first advance in three weeks.

The Dollar may be building a base.



-- [Warren Buffett](#), the billionaire who urged Congress in 2009 to guard against inflation, said investors should avoid long-term fixed-income bets in U.S. dollars because the currency's purchasing power will decline.

For a person with a very long view on his investments, Warren Buffett may be right. However, the dollar may have one more surge left in it that will surprise many investors.

Phase Shift: The Next Leg Down in House Prices.



“Housing has supposedly “hit bottom.” Perhaps it will drop abruptly in a phase shift to much lower valuations.”

At the top of the housing bubble in early 2007, [Charles Hugh Smith](#) suggested that a mere 4% of homeowners defaulting could trigger a collapse of the entire U.S. housing market. He was right...and he’s at it again.

Gasoline a “Tale of two countries.”



--The Energy Information Agency [weekly report](#) states, “The human suffering and dislocation caused by the recent events in Libya and Japan, whether due to violent conflict or natural disaster, is both broad and widely felt. While our thoughts focus mainly on prospects for bringing resolution and relief to those affected, both Libya and Japan, each in its own way, are vital links in the global energy supply chain. The disruption to normal economic and productive activities in both countries carries worldwide consequences.”

Spring is coming in like a lion for Natural Gas prices.



-- The [U.S. Energy Information Administration](#) reports, “Cold, winter-like temperatures and even a large snowstorm in the Northeast are characterizing the opening days of spring, resulting in higher natural gas consumption related to space-heating. Overall U.S. consumption increased 9.6 Bcf per day, or 6.1 percent, from the beginning of the report week (Thursday, March 17) through yesterday (Wednesday, March 23).”

Tsunami Wall of Water Risk Known to Engineers, Regulators

(Bloomberg) [Japan](#)'s nuclear regulators and the operator of the crippled Fukushima reactors were warned that a tsunami could overwhelm the plant's defenses and failed to recognize the threat.

The Trade Ministry dismissed evidence two years ago from geologists that the power station's stretch of coast was overdue for a giant wave, minutes from a government committee show. Tokyo Electric Power Co. engineers also didn't heed lessons from the 2004 tsunami off [Indonesia](#) that swamped a reactor 2,000 kilometers (1,200 miles) away in India, even as they [advised](#) the nuclear industry on coping with the dangers.

Canada Government Falls After Vote Of No Confidence Gets Enough Votes To Pass

([ZeroHedge](#)) A second government falls in one week, after Canada's conservatives are defeated in a no confidence vote, following Portugal government fall on Wednesday. Belgium must feel like a veteran in the anarchy department, which seems to be claiming more and more countries, or at least those that do not adopt a revolutionary route.

Charles Plosser Speaks On The Fed's "Exit"

([ZeroHedge](#)) Highlights from the just released speech by Philly Fed hawk Charles Plosser:

- **Fed's Plosser says would want to make explicit the Fed's commitment to a numerical inflation objective**
- **Says important to communicate a systemic plan that describes where Fed is going, how it will get there**
- Says his proposed strategy would tie pace of asset sales to size of interest rate increases
- Says his preferred exit strategy would raise rates, shrink balance sheet concurrently
- Says failure to exit in timely manner will have serious consequences on inflation, economic stability in future
- Says monetary policy will have to reverse course in the not too distant future
- Says consumer spending continues to expand at reasonably robust rate
- Says US economy seems to be on much firmer foundation
- Says labor market conditions are improving

On GE's Pathological Aversion To Paying Taxes

([ZeroHedge](#)) In today's NYT, in a surprising critique of the company that is the right arm of Obama's administration, there is *finally* an extensive focus piece on how GE, which made \$14.2 billion in 2010 (\$5.1 billion of which came from the US), paid, wait for it, zero taxes in 2010. [NYT](#) summarizes this odd quandary as follows: "Its extraordinary success is based on an aggressive strategy that mixes fierce lobbying for tax breaks and innovative accounting that enables it to concentrate its profits offshore. G.E.'s giant tax department, led by a bow-tied former Treasury official named John Samuels, is often referred to as the world's best tax law firm. Indeed, the company's slogan "Imagination at Work" fits this department well. The team includes former officials not just from the Treasury, but also from the I.R.S. and virtually all the tax-writing committees in Congress."

Collective Bargaining neither a Privilege nor a Right

(Mish) The battle cry from Wisconsin is a union complaint that their "right" to collective bargaining has been taken away. Nothing could be further from the truth. You cannot take away something that does not exist and never did.

Please consider this simple sentence straight from the Declaration of Independence.

"We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness."

Public unions take away those "unalienable rights" via collective bargaining arrangements.

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Regards,

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