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August employment numbers unchanged? Not for many.

[Nonfarm payroll employment](#) changed little (-54,000) in August, and the unemployment rate was about unchanged at 9.6 percent, the U.S. Bureau of Labor Statistics reported today. Government employment fell, as 114,000 temporary workers hired for the decennial census completed their work. Private-sector payroll employment continued to trend up modestly (+67,000).

[Total unemployed, plus all persons marginally attached](#) to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force rose from 16.5% to 16.7%

The [CES Birth/Death Model](#) added 115,000 hypothetical jobs, suggesting the total job loss may be greater than reported by the Department of Labor press release.

Service Companies in U.S. Expand Less Than Forecast

([Bloomberg](#)) Service industries expanded in August at the weakest pace in seven months, indicating the U.S. economy may be slow to strengthen in the second half of the year. The Institute for Supply Management's [index](#) of non-manufacturing businesses, which covers about 90 percent of the economy, fell to 51.5 from 54.3 in July. Readings above 50 signal growth and economists projected a decline to 53.2, according the median estimate in a Bloomberg News survey.

ECRI Declines, Passes Below "Double Dip" -10% Threshold Again

([ZeroHedge](#)) The Economic Cycle Research Institute's Leading Indicator Index just came at -10.1%, a drop from last week's -9.9%, once again inflecting into double dip territory.

Is anyone paying attention?



affirmatively in May. *They're doubling down their bets.*

--[Investment Company Institute](#) reported that domestic equity (stock) funds reported their 17th and largest sequential outflow last week as \$4.313 billion was withdrawn from domestic stock mutual funds. Trim Tabs latest [Hedge Fund Flow Report](#), which finds that the percentage of Hedge Fund managers expecting to raise their leverage exiting August is 21.2%, the highest in 4 months, and possibly all of 2010, and triple the 7.7% responding

Is the treasury bond bubble ready to burst?



last resort.

-- Some analysts are beginning to believe that there is a bubble in bonds that is about to burst. A [Bloomberg](#) article explains that the market for U.S. Treasury bonds has become inflated as banks exploit benchmark borrowing costs near zero to boost purchases. As the Fed winds down the amount of treasury bonds it purchases through its Quantitative Easing program, liquidity will dry up and the selling begins, since the Fed is the buyer of

Is a turn in gold at hand?



--[Gold prices fell](#) the most in two weeks after a rally in equities reduced demand for the precious metal as a haven. Gold futures for December delivery fell \$5.20, or 0.4 percent, to \$1,248.20 an ounce at 11:25 a.m. on the Comex in New York. A close at that price would be the biggest drop for a most-active contract since Aug. 20. The precious metal is up 0.8 percent for the week.

The Nikkei bounces in a bear market.



-- [Japanese stocks](#) rose for a third day, driving benchmark indexes to their first weekly gain in a month, after U.S. reports showed an unexpected increase in pending home sales and improved retail sales. The [Nikkei 225 Stock Average](#) rose 0.6 percent to 9,114.13 at the 3 p.m. close in Tokyo, after moving between a gain of 0.9 percent and a drop of 0.1 percent.

The Shanghai index may continue its uptrend.



-- Most [China stocks](#) rose as automakers gained on prospects sales will pick up, countering declines by developers on concern that the government will impose more measures to curb property speculation. Almost five stocks rose for every four that fell on the [Shanghai Composite Index](#), which slipped 0.38, or less than 0.1 percent, to 2,655.39 at the 3 p.m. close. The gauge added 1.7 percent this week.

The dollar may beat gold in a double-dip recession.



--([Bloomberg](#)) New York University Professor [Nouriel Roubini](#) said the dollar... may be a better investment than gold if the world economy slips back into recession. "If there was a double-dip recession, increasing risk aversion, some assets are going to be preferred, and gold will be one of them," Roubini said today in an interview on Bloomberg Television's 'On The Move' with [Francine Lacqua](#). "But in that situation, things like the dollar, the yen, the Swiss

franc have more upside in a situation of rising risk aversion because they are much more liquid than the gold market."

Housing Numbers - Are They Being Cooked?



--([The Market Ticker](#)) "I have a very *disturbing* email that came in this evening. It alleges out-and-out fraudulent reporting of home sales in one of the regional MLS systems. That is, prices paid that are in fact much lower than the "sold" prices reported in the MLS. The person in question claims to have seen over 100 of these in his area. I have copies of two, and it appears, from the evidence that I have, that **at least for those two** the claim is accurate."

Gasoline prices are still trending down.



--The Energy Information Agency [weekly report](#) observes, "Heading into the Labor Day holiday weekend, U.S. retail gasoline prices have fallen for three weeks in a row, currently averaging \$2.68 per gallon, the lowest level of the 2010 peak summer driving season, and the second lowest price at this point in the past five summers (Figure 1). This year, prices peaked on May 10 at \$2.91 per gallon."

Natural gas prices remain very low.



-- The [U.S. Energy Information Administration](#) reports, "Since Wednesday, August 25, natural gas spot prices fell at most market locations in the lower 48 States, although prices generally rose in the Northeast and Rocky Mountain areas. The Henry Hub spot price fell on the week from \$3.99 per million Btu (MMBtu) to \$3.73 per MMBtu, its lowest value since April 1, 2010."

Why Saving Is Right and Economists Are Wrong

([Minyanville](#)) In George Orwell's brilliant novel *Nineteen Eighty-Four*, one of the characters, Syme, in discussing the nature of Newspeak, says "It's a beautiful thing, the destruction of words." Newspeak was a systematic attempt by the dictators of Oceania, a totalitarian society eerily similar to North Korea, to control thought by eliminating words that gave rise to ideas they disapproved. What Syme and Orwell are talking about is that the destruction of words is the destruction of ideas.

There is a parallel to this in contemporary economic thought. Mainstream economists, Keynesians, Neo-Keynesians, and Neoclassicists, would have you believe that what common sense would call "good" is now "bad." Conversely, "bad" is the new "good." I don't mean to suggest that the US is heading toward becoming a North Korea. My point is that the experts seem to abandon common sense and yet most people instinctively understand that good is good.

Is Another Flash Crash Inevitable By Year's End And Will It Be Triggered On Purpose?

([Forbes](#)) If we don't see a Flash Crash II, we'll certainly see events that mimic the quote volume spike of May 6—one of the factors that many people, including Nanex CEO Eric Scott Hunsader, believe played a role in the short-lived collapse.

In fact, adds Hunsader, somebody could be intentionally slowing down some aspects of the market—using excessive quote blasts—to skim profits from clueless competitors. This won't stop, Hunsader says, until the SEC or the exchanges step in and do something about the copious quote volume wars currently taking place.

Nanex, which sends its clients compressed real-time quote feeds and market data, has drawn attention lately for some of the underlying quote patterns it uncovered within the chaos of trading on May 6. But it wasn't odd patterns that drove the market to madness; it was pure volume.

Why Lessons From The First Great Depression Mean The Next Four Months Will Be Very Painful For Stockholders

([ZeroHedge](#)) Scott Miner, CIO of Guggenheim Partners, parses through the years of the Great Depression, and focuses on the pivotal 1936, which contained in it the seeds for the destruction of the period of relative economic growth and stability from 1932 to 1936, and resulted in a plunge in the economy in the second great recession of the Depressionary period: that of 1937 and 1938. While the first period saw "GNP grow at an annualized rate of 10 percent, the Dow rose approximately 20 percent per annum, and unemployment declined from as high as 25 percent in 1933 to as low as 11 percent in 1937" the second and much more dire phase of 1937-1938 . saw a unprecedented plunge in economic data: **"national output declined by 5.4 percent, unemployment skyrocketed from 11 percent back to 20 percent, the Dow Jones Industrial Average declined 49 percent, and four years of healthy price recovery receded into 3 percent annual deflation."** What precipitated the second collapse? "The short answer is that it was a confluence of factors, a perfect storm of monetary and fiscal policy mistakes" yet the immediate catalyst, if one can be defined was "the fiscal policy missteps of the Roosevelt Administration, **who, in an effort to balance the budget after six years of deficits, implemented a series of tax increases in 1936 and 1937 that caused output, prices, and income to fall and sent unemployment skyrocketing.**" We are currently faced with precisely

the same juncture, and unfortunately for America, things now have a far lower probability of occurring "just as they should" in order for the country to emerge in one piece on the other side of the tunnel. Here is why. (For full article, [click here](#).)

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Regards,
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