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Employment Situation: Less than meets the eye.

Total nonfarm payroll [employment grew](#) by 431,000 in May, reflecting the hiring of 411,000 temporary employees to work on Census 2010, the U.S. Bureau of Labor Statistics reported today. Private-sector employment changed little (+41,000). Manufacturing, temporary help services, and mining added jobs, while construction employment declined. The unemployment rate edged down to 9.7 percent.

The numbers given by the Bureau of Labor Statistics don't even pass the basic math test. To top it all off, inside these figures is the [CES Birth/Death Model](#), which added 215,000 fictitious jobs in May. Could the real employment situation have a loss of 216,000 jobs last month? In addition, the May figures showed the [labor force shrank](#) 322,000 due to discouraged people leaving the work force.

A debt crisis in Hungary.

[Credit-default swaps](#) on sovereign bonds surged to a record on speculation Europe's debt crisis is worsening after Hungary said it's in a "very grave situation" because a previous government lied about the economy.

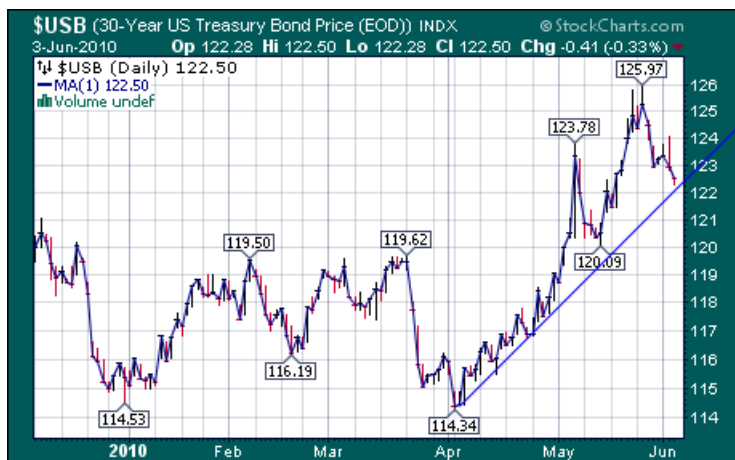
Hungary's bonds fell after a spokesman for Prime Minister **Viktor Orban** said talk of a default is "not an exaggeration" because a previous administration "manipulated" figures. The country was bailed out with a 20 billion-euro (\$24 billion) aid package from the European Union and International Monetary Fund in 2008.

Market failure...is the trap door swinging open?



--Whatever positives that prompted the market to rally this week suddenly evaporated on the bad news from Eastern Europe. The unfortunate part is that many of the major European banks own sovereign debt issued by these countries. You may wish to visit our [YouTube Channel](#) to get the latest technical information on our expectations for this decline.

Treasury bonds stage a recovery at trendline support.



- Treasury bonds staged a strong recovery today as the bad news from Europe caused yet another flight from stocks. Money flows in distinct behavioral patterns as investors look for a friendly place for their money. Market supports often appears in formations that can be illustrated by trendlines. Although corrections may be deep, the trendline suggests that the larger move is still up.

Gold prices struggle as equity losses mount.



-- [Gold prices](#) are struggling as precious metal shares are liquidated alongside equity shares. It is not yet certain that the rally in gold is over, but the momentum to the upside is waning. The pattern for gold appears to be a Broadening Wedge, which is considered by many to be a topping pattern. Fears of deflation may cut the rally short.

Nikkei stages a small comeback.



-- [Japanese stocks](#) fell after switching direction more than 15 times prior to [Naoto Kan's](#) election as prime minister on concern over the direction of his policies. Cement makers and building companies declined. The Nikkei 225 fell 0.1 percent to 9,901.19 at the 3 p.m. close in Tokyo. The broader [Topix](#) index was little changed at 890.16, with about as many stocks declining

as advancing. Both measures rose this week for the first time in three weeks.

China stocks may be ready for a reversal.



-- The Shanghai Index managed to stay above prior lows as it attempts to build a base after a steep one-month decline. The largest of China's stock exchanges, managed to close near breakeven going into the weekend. China has implemented austerity measures and raised bank reserves to fight against the bubble of debt that its markets have created. It may be possible that they have correctly curbed excessive risk

taking in their markets.

The U.S. money supply plunges at 1930s pace.



-- The [M3 money supply](#) in the United States is contracting at an accelerating rate that now matches the average decline seen from 1929 to 1933, despite near zero interest rates and the biggest fiscal blitz in history.

The stock of money fell from \$14.2 trillion to \$13.9 trillion in the three months to April, amounting to an annual rate of contraction of 9.6pc. The assets of institutional money market funds fell at a 37pc rate, the sharpest drop ever. *Dollars are scarcer, thus more valuable.*

Economist Argues Home Prices Still Have Far To Fall.



much farther and for much longer.

EIA information not in agreement with the market price of gasoline.



and \$2.63 per gallon, respectively.”

Natural Gas prices seeing downward pressure.



offset some of the earlier gains during the week.”

Dour predictions about the housing market aren't the norm anymore, as many economists have grown optimistic that home prices will begin rebounding strongly next year. But International Monetary Fund economist Prakash Loungani has found plenty of reasons to remain glum. Loungani, at a National Economists Club luncheon in Washington Thursday, presented his analysis of housing busts since 1970. His prediction: Home prices will fall

The Energy Information Agency weekly report observes, “Dropping for the third week in a row for a cumulative decline of nearly \$0.18, the U.S. average price for regular gasoline fell six cents last week to \$2.73 per gallon. The price was \$0.20 higher than last year at this time. Prices fell in all regions of the country, with the largest drops taking place on the East Coast and in the Midwest where the averages fell about seven cents to \$2.72 per gallon

--. The U.S. Energy Information Administration reports, “Since last Wednesday, May 26, natural gas spot prices increased at market locations across the lower 48 States, climbing up to 4 percent on the week. Warm temperatures across most of the lower 48 States contributed to price gains heading into the Memorial Day holiday weekend. However, temperatures moderated mid-week, contributing to price declines in trading on Wednesday, June 2, that

The “Flash Crash” will happen again.

The highly discussed and quickly forgotten [Flash Crash](#) was an omen of what lies ahead for the [financial markets](#). It was a uniquely distinctive occurrence relative to anything we've ever experienced. Likewise, what we're about to witness will be startling and never before observed by this generation of investors. After only 30 days the Flash Crash signal has become unambiguous and historians will wonder why the public didn't react sooner to its clarion call.

Price wars at Wal-Mart and other miscellaneous items.

Wal-Mart is counting on \$1 ketchup bottles and sub-\$4 cases of Coke to [re-ignite sales](#) in America.

The sharp cuts at U.S. stores, which came ahead of the Memorial Day holiday weekend, have already pushed rivals such as Target into price wars. And the markdowns are expected to keep coming throughout the summer. *Happy Shopping!*

Traders alert:

The Practical Investor is currently offering the daily Inner Circle Newsletter to new subscribers. Contact us at tpi@thepracticalinvestor.com or click on “Contact us” at www.thepracticalinvestor.com for a free sample newsletter and subscription information.

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We are in the process of updating our website at www.thepracticalinvestor.com to have more information on our services. Log on and click on [Advisor Registration](#) to get more details.

If you are a client or wish to become one, please make an appointment to discuss our investment strategies by calling Connie or Tony at (517) 699-1554, ext 10 or 11. Or e-mail us at tpi@thepracticalinvestor.com.

Regards,
Anthony M. Cherniawski, Manager

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