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Employment fell for the first month this year.

([Bloomberg](#)) Employment fell in June for the first time this year, reflecting a drop in federal census workers and a smaller-than-forecast gain in private hiring.

Payrolls declined by 125,000 last month as the government cut 225,000 temporary workers conducting the 2010 census, Labor Department figures in Washington showed today. Economists projected a decline of 130,000 payrolls, according to the median forecast in a Bloomberg News survey. Employment at companies rose 83,000. The jobless rate fell to 9.5 percent from 9.7 percent as the labor force shrank.

([ZeroHedge](#)) The only reason for the decline in the unemployment rate to 9.5% was yet another decline in the labor force participation rate, which according to the BLS dropped another 652k people in the month of June. This resulted in a labor force to the civilian non-institutional population ratio of 64.7%: the second lowest number in decades of data, and only better than December 2009, when this number was 64.6%. The problem with this is that it badly underestimates the split between those who are marginally attached and those 14,623 who were formally unemployed in June.

Factory Orders Drop 1.4%, Big Miss To Consensus, Snap Eight Month Winning Streak

([ZeroHedge](#)) - - May factory orders are the latest casualty of the gradual stimulus withdrawal: the forecast decline of -0.5% was almost tripled, coming out at -1.4%. This compares to an April increase of 1.0%. From the release: "New orders for manufactured goods in May, down following eight consecutive monthly increases, decreased \$5.8 billion or 1.4 percent to \$413.2 billion, the U.S. Census Bureau reported today. This followed a 1.0 percent April increase. Excluding transportation, new orders decreased 0.6 percent."

Don't say that you weren't warned!



--The decline below 1040 has activated the Head and Shoulders pattern described last week in the S&P 500 index. Now that it is activated, it has a very high probability (over 90%) of meeting its target shown on the chart. Bear markets also accomplish their objectives in a fraction of the time it took to rally, so we may see the target reached before the summer is over. For more info, here is [contact information](#).

Treasury bond rally may be complete.



-- The triangle pattern you see in the chart usually precedes the final thrust in a rally. The final high may have been accomplished. So bondholders, this may be a prime time to look for the exits. I usually publish a "Weekend Report" for traders. You may consider asking for a [free copy](#) of this week's report.

Gold had a major reversal.



--Last week I mentioned that gold may be losing steam. I also pointed out that the Broadening Formation was very unstable and investors should take caution. What is not known to many is that the Broadening Formation is a topping pattern.

Gold formed a clear reversal pattern on July 1. This is a good time not to own gold.

Nikkei plunged back below 10,000.



--Japanese stocks fell nearly 5.5% this week, dragging down the Nikkei index to a new low for the year. The Nikkei 225 Stock Average bounced 12.12 points at the 3 p.m. close in Tokyo, marking the biggest weekly decline among equity benchmarks in the Asia-Pacific region. The gauge closed below 10,000 for the seventh consecutive week.

Is China running low on capital?



-- Earlier today, Bank of China, Asia's third- largest lender by market value, announced it plans to raise as much as 60 billion yuan (\$8.9 billion) in a rights offer to replenish capital. [Bloomberg reports](#): "The lender will sell 1.1 shares for every 10 held, or as many as 19.56 billion shares in Shanghai and 8.36 billion in Hong Kong, a statement to the Hong Kong stock exchange showed today." This latest equity offering in a region already drowning in capital raises

was enough to halt trading in BOC shares until July 5 as the response to it would hardly be considered favorable.

The dollar advanced today on a dimming economic outlook.



-- The dollar rose against most major counterparts after a report showed U.S. payrolls shed jobs for the first time this year, signaling the world's largest economy may be slow to recover and damping investors' risk appetite.

The most recent news on the decline in payrolls is reversing some attitudes about the dollar's demise. In fact, it may be due to rally again very soon.

Home sales and home building both declined in May.



also came in slightly below estimates.

Gasoline prices may have peaked for the summer.



regular gasoline since the start of 2010, as reported in EIA's weekly gasoline price survey, was \$2.91 per gallon on May 10."

Natural Gas prices seeing downward pressure.



-- [A record drop](#) in pending home sales and a slowdown in the construction market contributed to a sluggish outlook for the economy Thursday, highlighting the significance of government stimulus measures and job growth. According to new statistics, pending homes sales and construction both declined in May. The pace of activity in the manufacturing sector slowed last month compared with May and

The Energy Information Agency [weekly report](#) observes, "The Independence Day holiday, which this year is part of a 3-day weekend, is one of the focal points for summer travel. Retail gasoline prices typically reach their annual peak during, or shortly before, the summer driving season, considered to run from Memorial Day weekend through Labor Day. The peak U.S. national average retail price for

--. The [U.S. Energy Information Administration](#) reports, "Since last Wednesday, June 23, natural gas spot prices decreased at market locations across the lower 48 States, as temperatures fell and concerns about developing Hurricane Alex eased. Temperatures moderated across most of the lower 48 States as the week progressed, leading to declines in natural gas consumption."

Fed Made Taxpayers Unwitting Junk-Bond Buyers

([Bloomberg](#)) Federal Reserve Chairman [Ben S. Bernanke](#) and then-New York Fed President [Timothy Geithner](#) told senators on April 3, 2008, that the tens of billions of dollars in “assets” the government agreed to purchase in the rescue of Bear Stearns Cos. were “investment-grade.” They didn’t share everything the Fed knew about the money.

The so-called assets included collateralized debt obligations and mortgage-backed bonds with names like HG-Coll Ltd. 2007-1A that were so distressed, more than \$40 million already had been reduced to less than investment-grade by the time the central bankers testified. The government also became the owner of \$16 billion of credit-default swaps, and taxpayers wound up guaranteeing high-yield, high-risk junk bonds.

Time to shut down the US Federal Reserve?

([by Ambrose Evans-Pritchard](#)) Kartik Athreya, senior economist for the Richmond Fed, has written a paper condemning economic bloggers as chronically stupid and a threat to public order.

Matters of economic policy should be reserved to a priesthood with the correct post-doctoral credentials, which would of course have excluded David Hume, Adam Smith, and arguably John Maynard Keynes (a mathematics graduate, with a tripos foray in moral sciences).

“Writers who have not taken a year of PhD coursework in a decent economics department (and passed their PhD qualifying exams), cannot meaningfully advance the discussion on economic policy.”

Don’t you just love that throw-away line “decent”? Dr Athreya hails from the University of Iowa.

ECB Shuts off Liquidity, Spanish Banks Scream Murder; Spain and Greece Will Both Default

([Mish writes](#)) For just under a year, the ECB has offered €442 billion to encourage lending. Instead, and easily predictable, the program did not increase lending and did nothing more than allow weak banks to roll over debts.

The program is now ending and Spanish banks are screaming about the ECB's "obligation to supply liquidity".

The Wall Street Journal has part of the story in [ECB Walks a Fine Line Siphoning Off Its Liquidity](#).

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Regards,
Anthony M. Cherniawski, Manager

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