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The  
**PRACTICAL INVESTOR, LLC**  
A State Registered Investment Advisor



## Weekly Market Digest July 9, 2010

### **The economy may cool as consumers spend less.**

([Bloomberg](#)) Economists trimmed their U.S. growth forecasts through the middle of next year, though not enough to show the recovery is in danger of faltering.

Growth in the world's largest economy will average 2.8 percent from the current quarter through the second quarter of 2011, according to the median estimate of 52 economists surveyed from July 1 to July 8, down 0.1 percentage point from last month.

While recent housing, manufacturing and employment figures suggested the U.S. economy is more vulnerable, the survey shows the recovery will survive the effects of Europe's debt crisis and China's efforts to slow growth. With few signs of inflation, the [Federal Reserve](#) will wait longer than previously anticipated before raising interest rates.

([ZeroHedge](#)) The latest consumer credit number continues the decline we have seen in recent months, plunging from \$2424.4 billion in April to \$2415.3 billion in May, a \$9.1 billion decline, or 4.5% annualized, on consensus of \$2.3 billion. Yet the biggest stunner was the April **revision which was whacked from +\$1 billion to a revised -\$14.9 billion!** In other words, there has been a \$24 billion decline in consumer credit in the past two months.

*Do you believe that shrinking consumer credit is compatible with a growing economy?*

### **Unreal: Stocks go higher while equity funds see record outflows.**

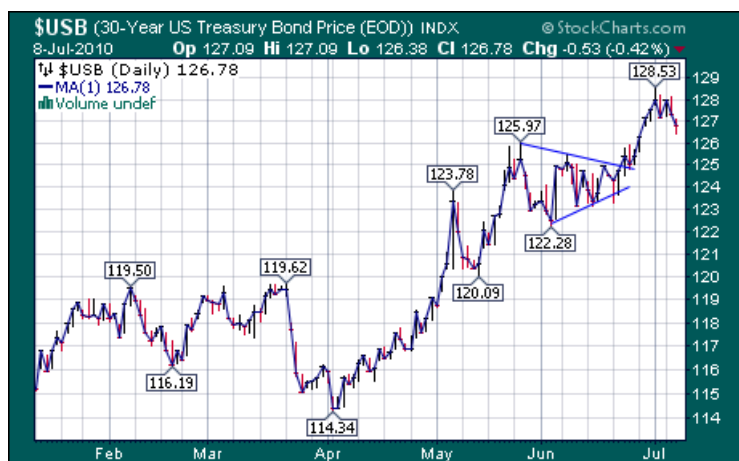
([ZeroHedge](#)) Today's Lipper/AMG fund flow data confirmed the ICI data disclosed earlier: in the week ended July 7, in which stocks have rallied by who knows how many percent - nobody without Gallium Arsenide logic gates really keeps track of the market anymore, equities saw outflows of \$11.6 billion. We'll repeat it because it bears repeating: **stocks have surged as mutual funds have seen one of their biggest weekly outflows in 2010.**

## Recovery or trap door?



--The rally from last week's decline below 1040 has brought back the bullish pronouncement that, "The worst is over." This could not be further from reality as the market enters the four worst months of the year, according to Stock Trader's Almanac. Another drop through 1010-1040 has a very high probability (over 90%) follow through decline to meet its target shown on the chart. For more info, here is [contact information](#).

## Treasury bonds made a reversal this week.



-- The triangle pattern and the final thrust beyond it suggests that its mission is accomplished. Last week I suggested that bondholders look for the exits. This week's action confirms the view.

Traders may consider asking for a [free copy](#) of the new "Weekend Update."

## Gold's reversal appears serious.



--Last week's commentary on the reversal pattern came to fruition. I had suggested that that the Broadening Formation is a topping pattern and that caution should be observed.

The crowd that "[buys the dips](#)" may need to adjust their behavior pattern as future rallies may fail in a potential new declining trend.

## Nikkei had an oversold bounce.



percent this week, the most since the week ended Dec. 4.

## Has the Shanghai index found a bottom?



signs since May, signaling an imminent change in the downtrend,” the analysts wrote.

## Survey shows dollar bears in the majority.



rest of the summer.

--Japanese [stocks](#) rose, driving the Nikkei 225 Stock Average to its biggest weekly gain this year, after a drop in U.S. jobless claims stoked optimism in the global economy.

The [Nikkei 225](#) rose 0.5 percent to 9,585.32 at the close of trading in Tokyo, reversing a 0.2 percent drop. The broader Topix index was little changed at 861.21, with about eight stocks advancing for every seven that declined. The Nikkei jumped 4.1

-- A rebound in [Chinese stocks](#), the worst performers in Asia this year, may be imminent after reaching a near-term low, CIMB Group Holdings Bhd. said, citing two technical indicators.

The gauge's daily [Moving Average Convergence/Divergence indicator](#) and relative strength index are signaling a possible rebound in the index, according to the analysts. “The daily MACD and RSI have been showing positive divergence

-- The latest [survey](#) conducted by Credit Suisse's FX Sales team confirms our conclusion from reading yesterday's bearish report on the USD from Goldman, namely that *the time to buy the dollar is here*.

Cyclical studies show that the dollar is due for a major low this week. The implications are that the uptrend may resume as early as next week. This has major implications for the health of the equities market for the

## Pending Homes Sales Crash in a Record Fall to a Record Low as Tax Break Expires.



2006. The rubber bands and duct tape are breaking apart.

## Gasoline prices are slipping, but no new lows yet.



The Energy Information Agency [weekly report](#) observes, “Dropping for the first time in three weeks, the U.S. average price for regular gasoline fell three cents to \$2.73 per gallon. The national average was \$0.11 higher than last year. Regionally, average prices slipped in all sections of the country.”

## The heat wave spiked usage, but not prices of natural gas.



--. The [U.S. Energy Information Administration](#) reports, “Temperatures exceeding 100 degrees along the East Coast provided a spurt of demand in the electric power sector, as power generators ramped up to meet air-conditioning needs. Overall consumption was an estimated 3.5 percent higher than last year during the comparable week, according to BENTEK Energy, LLC.”

## **EXTEND & PRETEND: Stage I Comes to an End!**

### *The Dog Ate my Report Card*

Both came to an end at the same time: the administration's policy to [Extend & Pretend](#) has run out of time as has the patience of the US electorate with the government's Keynesian economic policy responses. Desperate last gasp attempts are to be fully expected, but any chance of success is rapidly diminishing.

Whether an unimpressed and insufficiently loyal army general, a fleeing cabinet budget chief or G20 peers going the austerity route, all are non-confidence votes for the Obama administration's present policies. A day after the courts slapped down President Obama's six month gulf drilling moratorium, the markets were unpatriotically signaling a classic head and shoulders topping pattern. With an employment rebound still a non-starter, President Obama as expected was found to be asking for yet another \$50B in unemployment extensions and state budget assistance to avoid teacher layoffs. However, the gig is up: the policy of Extend and Pretend has no time left on the shot clock nor for another round of unemployment benefit extensions. A congress that is now clearly frightened of what it sees looming in the fall midterm elections is running for cover on any further spending initiatives. The US electorate has been sending an unmistakable message in all elections nationwide.

### **The rats are cornered.**

The [stimulus and gimmicks](#) initiated by a desperate political class prodded on by our Keynesian witch-doctors Summers and Geithner ran their course and at the end of that road was a massive pile of debt, chronic unemployment, a populace that doesn't believe or trust anything the government says or does and a housing market set to resume its downward spiral. So basically the forces of deflation have taken over once again. Banana Ben Bernanke knows it and he knows what he wants to do about it. He wants to print so much money it would make your head spin. He wants to drop nuclear bombs of QE2 all over this great land. That is his answer to everything. The man is 100% insane according to Einstein's definition. I quote: "The definition of insanity is doing the same thing over and over again and expecting different results."

### **"Unless the plunge protection team comes in over the next couple of days, the markets are looking very dicey here."**

A [highly amusing exchange](#) occurred earlier on CNBC when guest Damon Vickers of Nine Points Capital had an unexpected moment of truthiness and turned some heads when he said that "**unless the plunge protection team comes in over the next couple of days, the markets are looking very dicey here.**" When a disgusted Joe Kernan asks if Vickers was making a joke about the PPT, the response is "absolutely not - it's common knowledge that the government steps in and does things to step on the gas and buy stock here and there."

### **Traders alert:**

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## **Our Investment Advisor Registration is on the Web.**

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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](mailto:tpi@thepracticalinvestor.com).

Regards,  
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