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The
PRACTICAL INVESTOR, LLC
A State Registered Investment Advisor



Weekly Market Digest July 16, 2010

Michigan Consumer Sentiment Index Fell in July

[Confidence](#) among U.S. consumers slumped in July to the lowest level in a year, signaling the biggest part of the economy is losing momentum.

The Thomson Reuters/University of Michigan preliminary sentiment [index](#) decreased to 66.5, the lowest since August 2009, from 76 in June. The reading was lower than the most pessimistic forecast of economists in a Bloomberg News survey with a median projection of 74.

Prices Excluding Food, Energy in U.S. Rise More Than Forecast

The [cost of living](#) in the U.S., excluding food and energy prices, climbed in June more than forecast, easing concern that a slowdown in growth will spur deflation.

The so-called [core](#) rate of the consumer-price index increased 0.2 percent, the most since October and exceeding the 0.1 percent gain projected by the median forecast of economists surveyed by Bloomberg News, figures from the Labor Department showed today in Washington. Prices overall fell 0.1 percent, a third straight decrease and matching the median forecast.

Investment Company Institute Reports Largest Equity Fund Outflow In Two Months

[ICI reports](#) that domestic equity mutual funds saw \$4.1 billion in outflows, the largest outflow in the past 2 months, and the third biggest weekly redemption in 2010! This is also the tenth sequential outflow, amounts to \$34 billion in total outflows YTD. *Yet stocks jumped. One day we hope congress will ask the Fed to explain how this happened.*

The downtrend in stocks is intact. Any questions?



--The 8% gain from the July 1 low may start disappearing fast. Traders were betting on increased revenues and profits this earnings season and have seen their disappointment mount as reports have come in. The market now enters the four worst months of the year, according to Stock Trader's Almanac. The declining trendline has proved to be resistance for the rally. For more info, [contact us](#).

Treasury bonds may recover...but they may not.



-- The rally in treasuries may prove to be a trap for bond investors. During the 2008 equities decline, bonds rallied. Investors believe that this relationship will continue to hold, while the chart suggests otherwise.

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

Gold's reversal appears serious.



--[Gold futures](#) for August delivery fell \$15.70, or 1.3 percent, to \$1,192.60 at 10:55 a.m. on the Comex in New York. A close at that price would mark the biggest drop for a most- active contract since July 1. Before today, the metal gained 10 percent this year.

The uptrend is showing signs of failure. See my [YouTube Video](#) on gold.

Nikkei sold off at resistance.



--Japanese [stocks](#) fell, dragging down benchmark indexes by the most in almost six weeks, on concern the global economic recovery may falter after U.S. reports showed manufacturing contracted and wholesale prices dropped.

The down trend in the Nikkei is also intact as each rally based on the hope of a recovery becomes weaker. This suggests larger declines ahead.

Has the Shanghai index found a bottom?



-- July 1 may have been an important cyclical low for the Shanghai Index. There are a lot of analysts and the media bad-mouthing the Chinese economy and their markets.

However, this recent rally may have broken the down-trend in the price action. It is still too early to tell, but this is also an opportune time for an important cyclical low, as well. The downtrend may be broken.

The dollar made a 50% retracement of its 6-month rally.



-- The [dollar](#) headed for a weekly loss against the yen on concern the U.S. economy is losing momentum, spurring speculation the Federal Reserve will keep interest rates near zero.

However, even with investor perception as bleak as it is, the dollar may be making a "seasonal low" and prepared to make new highs.

The \$4 trillion question.



down by a massive oversupply of homes relative to underlying demographic demand.

Gasoline prices are slipping, but no new lows yet.



-- Can the US economy really return to "business as usual" when it has a 4 million house surplus (beyond normal demand), when 1 out of 4 mortgages are in negative equity, and when by our calculation, it is burdened with \$4 trillion of excess mortgage debt, equivalent to 30% of GDP?

Perhaps homeowners are patiently expecting house prices to rise again. But if so, they may be in for a long wait. Prices are likely to be weighed

The Energy Information Agency weekly report observes, "Dropping for the second week in a row, the U.S. average price for regular gasoline slipped a penny to \$2.72 per gallon. The national average was \$0.19 higher than last year. With the exception of the Midwest, average prices declined in all regions of the country."

Natural gas prices are declining.



gas as a fuel for electricity generation subsequently declined."

--. The U.S. Energy Information Administration reports, "Price decreases across the country averaged 5.8 percent and ranged between \$0.04 and \$0.45 per MMBtu. Factors leading to the price declines this week included continuing strong U.S. production and high levels of natural gas in storage. The largest percentage declines occurred in the Northeast, as the hottest weather of the year subsided at the beginning of the report week and demand for natural

Obama Says It's The "Recovery Summer" But The Fed Says It Will Take 5 or 6 Years

([The Daily Capitalist](#)) President Obama is off [pitching his stimulus](#) plan today in Michigan:

The trip, part of a campaign dubbed "Recovery Summer" by the White House, is intended to reassure Americans the U.S. economy is returning to a sound footing in advance of the fall elections. ...

On Wednesday, the White House released new data saying a surge in Recovery Act funding had raised economic growth in the second quarter of 2010 by as much as 3.2% and boosted employment by as many as 3.6 million jobs, compared to estimated levels in the absence of the stimulus.

I wonder if President Obama reads the same data as I do? Aside from the fact that the numbers the White House presented [are false](#), the data are revealing the beginning of an economic slowdown which are clearly contra to the Administration's claims that the economy is growing. The Fed is clearly worried as shown below in the minutes of its June meeting. In fact they expect years of slow growth. I wonder if Mrs. Romer talked to Chairman Bernanke before she [boasted about her fake numbers](#)?

Roubini Says Obama Must Talk To Americans As Adults Even As He Advocates Treating Them As Children.

([ZeroHedge](#)) In an interview on Tom Keene's Bloomberg [radioshow today](#), Nouriel Roubini said Obama has to stop treating Americans as spoiled children and to finally be truthful about the state of the American economy. "We have to recognize that Americans are adults. Then we have to speak to them straightforward about the risks and challenges that we have, **rather than kicking the can down the road.**" While we wholeheartedly agree that Obama needs to stop not only with his daily teleprompter appearances, but for once to be frank and to strip away the perpetual layer of green shoot propaganda (Americans realize how bad it is - they merely grow to loathe the president even more when they hear and see him lie day after day about the "improvements" in the economy), we are puzzled by what Roubini says next, which is that Obama has to continue with precisely the same type of stimulus spending policies, be they fiscal or monetary, that got the US to the current unsustainable level.

The Financial Reform Bill was a stunning success.

([Mish's Global Economic Trend Analysis](#)) Quite a few people sent me eMails asking my opinion on the financial reform legislation just passed by Congress, legislation that will undoubtedly be signed with much fanfare by President Obama.

This may surprise some people but I think the bill exceeded the wildest of expectations. Moreover, I can prove it.

To fully appreciate how amazingly good this piece of legislation was, we must look at the pluses (what the bill accomplished), the minuses (objectives the bill failed to meet along with any damages done), and the critical issue (reasonable expectations as to what the bill might have accomplished). Let's start with the minuses. (Read more [here](#))

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Regards,
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