

Anthony M Cherniawski, CLU, ChFC, LIC

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



## Weekly Market Digest November 13, 2009

### **Guess where our economic stimulus money is going?**

The **trade deficit** in the U.S. widened in September by the most in a decade, reflecting rising demand for imported oil and automobiles as the economy rebounded from the worst recession since the 1930s.

The gap grew a larger-than-anticipated 18 percent to \$36.5 billion, the highest level since January, from a revised \$30.8 billion in August, the Commerce Department said today in Washington. Imports surged by the most in 16 years, swamping a gain in exports.

### **Consumer sentiment declines at the worst possible time.**

**Confidence** among U.S. consumers unexpectedly fell in November for the second consecutive month as surging **unemployment** shook households.

The Reuters/University of Michigan preliminary **index** of consumer sentiment decreased to 66 from 70.6 in October. The gauge was projected to rise, according to the median forecast in a Bloomberg News survey of economists.

A jobless rate that jumped to a 26-year high last month and is projected to remain above 10 percent through the first half of next year is weighing on Americans as they head into the holiday shopping season. Macy's Inc. is among retailers showing a decline in sales as consumers spend only on essentials such as food and clothing.

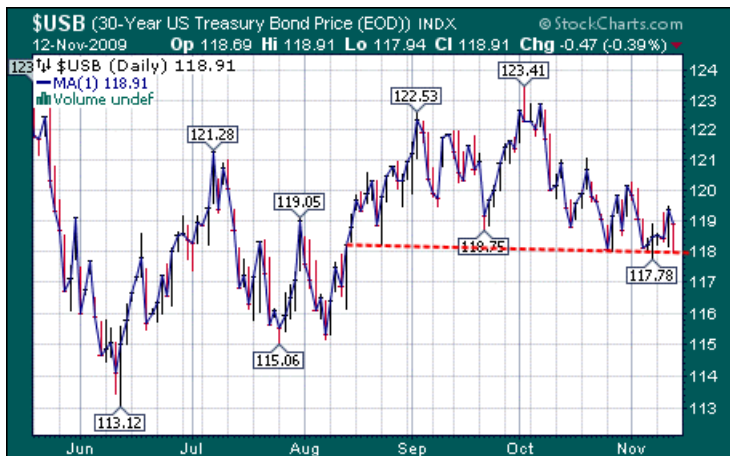
## Is the manic-depressive market inviting a Black Swan event?



--The wide swings in this expanding formation are not the usual fare expected by either investors or traders. Last week a broken lower trendline (bearish). This week there is a new high (bullish). So what is it supposed to be? Traders on both sides of the trade are getting their pockets picked clean of their profits. The volume is anemic (see lower margin of the chart). That means many traders

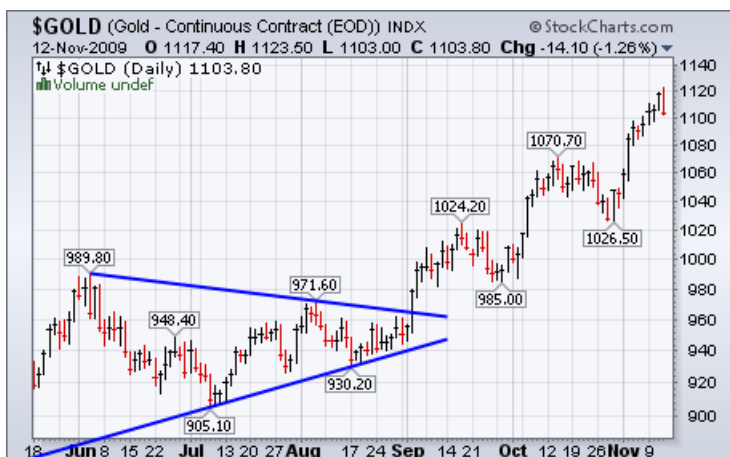
are throwing in the towel. *What does [Art Cashin](#) have to say?*

## Treasuries are ignoring an obvious pattern.



-- Treasuries are ignoring a complex [head and shoulders](#) pattern that predict their demise if that path is taken. *Should they drop below 118*, the potential target for the decline to follow will take bonds below the June low. But the pattern is either being ignored or avoided. That raises the potential of either a smash-up or a boom in bonds. The outcome is not yet certain, but the consequences either way will be enormous.

## Gold hits \$1,120...then reverses.



--Gold reversed yesterday after putting in two solid weeks of gains. [Gold futures fell](#) \$8 an ounce Thursday to post their first loss this month for the New York floor-session, pressured by a rebound in the U.S. dollar. economic growth. *Today's rebound is doing little to instill confidence that the upward trend will continue.*

## There goes the Japanese economy.



-- **Japanese stocks** fell, dragging benchmark indexes to a third consecutive weekly decline, after crude-oil and metal prices slumped and companies reported losses. President [Barack Obama](#) has come halfway around the world (Tokyo) to personally deliver the message to East Asia that the global economy can no longer count on the U.S. consumer to keep it afloat. *There goes the Japanese economy!*

## China focuses on domestic consumption.



-- **China's stocks** rose, sending the Shanghai Composite Index to its biggest weekly gain in more than three months, on speculation the government will extend stimulus measures to cement the economic recovery. Even before Barack Obama set foot in China, their leaders have seen the handwriting on the wall which says, promote domestic consumption.

## The dollar may be putting in a bottom.



[The dollar](#) declined against most of its 16 major counterparts tracked by Bloomberg as speculation the global economic recovery is gathering momentum encouraged demand for higher-yielding assets.

There is speculation that investors will increase carry trades, in which they sell the currency of a nation with low borrowing costs and buy assets where returns are higher. Benchmark interest rates as low as zero in the U.S. make the dollar a

favored currency for investors seeking to fund such trades.

## Regulators give instructions on how to hide elephants under the rug.



--Commercial real estate is blowing up so what do regulators do? The answer of course is to come up with new rules and regulations that will allow banks to [ignore losses](#).

Federal bank regulators issued guidelines allowing banks to keep loans on their books as "performing" even if the value of the underlying properties have fallen below the loan amount. This kicks the can down the road, but makes matters much worse.

## Gasoline prices are slipping.



The Energy Information Agency [weekly report](#) suggests, "For the first time since October 5, 2009, the U.S. average price for regular gasoline decreased, slipping three cents to \$2.67 per gallon, but staying \$0.44 above a year ago. Prices declined across all the regions. The East Coast average dropped about a penny to \$2.66 while the Midwest recorded the largest decline, of nearly 6 cents, to \$2.61 per gallon."

## Weather may affect natural gas prices for a season.



The Energy Information Agency's [Natural Gas Weekly Update](#) reports, "Prices fell almost across the board, possibly because of record-level storage stocks and somewhat warmer-than-normal temperatures in most areas of the United States west of the Rocky Mountains. On average, prices fell 16 cents per MMBtu. However, prices fell more steeply mid-week, recovering somewhat by Wednesday, November 4.

## **Ten states face looming budget disasters.**

In Arizona, the budget has grown so gloomy that lawmakers are considering mortgaging Capitol buildings. In Michigan, state officials dealing with the nation's highest unemployment rate are slashing spending on schools and health care.

Drastic financial remedies are no longer limited to California, where a historic budget crisis earlier this year grew so bad that state agencies issued IOUs to pay bills. A study released Wednesday warned that at least nine other big states are also barreling toward economic disaster, raising the likelihood of higher taxes, more government layoffs and deep cuts in services.

## **Dr. Doom Nouriel Roubini believes the bubble is about to burst**

[Dr. Doom is back](#). Last week, New York University economist Nouriel Roubini decided to speak out about the current economic recovery, warning that it [cannot last](#).

## **On November 6, 1930...**

**Market wrap:** “Yesterday gave “some relief from the monotonous picture of a market harassed by unremitting liquidation.” There was early pressure on US Steel on lower current and anticipated production; “widely advertised drives” were also launched on GE and AT&T, driving them to new bear market lows; however, volume dried up on the reaction. News that copper had been marked up to 10 cents sparked sharp advance in producers including Kennecott and Anaconda; this was followed by a broad rally in the general list; “market as a whole was on its best behavior in nearly two weeks”; active short covering seen, and stocks closed at day's highs.”

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We are in the process of updating our website at [www.thepracticalinvestor.com](http://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](mailto:tpi@thepracticalinvestor.com).

Regards,

Anthony M. Cherniawski,  
Manager

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