A Stock Market Rally Engineered by our Government

Stay as far away from it as possible

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Since March we have watched a stock market rally borne by low volume and short covering. The gains are reminiscent of the rallies of 1930 and 1932. What you are witnessing is a rally engineered by our government. If you watch the tape and you can read it you can see exactly what they are doing, and how they are doing it. Yes, it is legal under an Executive Order singed by President Ronald Reagan in the aftermath of the October 19th, 1997 collapse of the stock market. It was named the "Working Group on Financial Markets" and was to be used for such emergencies. Unfortunately, like many things in government, the mission of the "Plunge Protection Team" has been distorted. For over the last more than ten years it has been used to manipulate markets 24/7. Thus, what you are witnessing is a sucker rally, which has little hope of lasting.

What do you do with a market that has a trailing P/E of 24 times earnings? You stay as far away from it as possible.

Now that the stimulus has exhausted itself consumption is falling more rapidly, bills are being paid off and many have taken to saving again. If consumption cannot hold its own or increase during a large stimulus, when can it then? In other words how bad would the drop in GDP been if there had been no stimulus?

America is in a depression not a severe recession. If it were not, why would the Fed and our Treasury Department commit us for $23.7 trillion, and why would our entire financial industry have to be bailed out? Along with this fiat solution comes the political goals of corporatist fascism. Taken away have been the natural solution of growth within the private sector and the purging of excesses within the system. Those arguments are only heard on the Internet and talk radio. The people who our President wants to put on terrorist lists, or better yet has probably already put on terrorist lists, as you and me who speak up and demand our rights.

Our government for the past 20 years has been the most corrupt in American history. This is in your face corruption in banking, Wall Street, corporate America, in our congress and Senate and among our bureaucrats. Our legislation is written in secret by special interests and passed with very few even having read the legislation.

Then we have the change our President and his masters have planned for us. A health reform plan that rations healthcare, particularly the elderly so that they will die more quickly saving money for the government to fund welfare and numerous wars. Health benefits and procedures will be made by bureaucrats and it will, of course, include all illegal aliens. Everyone will carry a National Health Card ID that will contain your health records as well as

federal access to very financial holdings. You will also get to subsidize union health plans and community organizer health plans, such as those of ACORN. Our new budding SS. Government will be free of judicial review and price fixing. The government will set wages in the healthcare industry including those for doctors.

Insurance is mandatory and your employer will pay for it if he stays in business. Medicaid will be reduced as will services for the old and chronically ill. All doctors would be paid the same no matter what their specialty, training and experience. Hospital doctors will be penalized for what the government deems preventable re-admission. Government will prepare your taxes prior to death as they provide an approved list of end of life resources, to help guide you to your demise. If you do not take your own life government will arrange it for you. The list goes on and on. This is the same list used in Nazi Germany.

Government cannot create recovery and wealth. The insistence of the fed of massive injections of money and credit only eventually destroys wealth and capital. Such devices demand more taxes at a time when unemployment is rising, and tax revenues are falling; yet, debt is rising exponentially. We have a cadre of elitist banks, Wall Street firms, insurance companies and transnational corporations that will never be allowed to fail. Each time they use leverage and gamble and lose you will get to pay for it, on a never-ending basis. This is the heart of corporatist fascism. All those not in the elite Illuminist circle will eventually be gobbled up into giant transnational monopolies under world government.

Today's modus operandi of the Treasury, the Fed, Congress, our President and the faceless bureaucrats from the Council on Foreign relations, Trilateral Commission and the Bilderberg Group is to debase our currency and other currencies as well and to increase unemployment, reduce income and stop capital formation. Whatever is left over will be confiscated from Americans, because the Illuminists believe that all your wealth belongs to them, because they allowed you to earn it. That is why they are chasing down all the offshore accounts. Once that is completed they will have a financial dossier first on Americans and then everyone in the world. Ultimately all countries will be currency blocked and then they will control all the world's wealth. Of course, we now have to stop that. We'll have to remove them from their pedestal. Egalitarianism caused 300,000 Illuminists to lose their heads in the late 1700s in France. History has a way of repeating itself.

The average person now pays about 40% in taxation, direct and indirect. If Health Care Reform and Cap & Trade are passed you can add another 40%. That is 80% Americans. This is exactly what the gang from the CFR has planned for you. That, of course, does not factor in inflation.

We are facing the worst depression in America's history and perhaps in the last 500 years. Eventually due to higher taxes and less opportunities people will close up businesses and walk away from their jobs. These are the jobs that make the economy work.

How far away is collapse? We just do not know, but a good bet is within three years and perhaps a lot sooner. The trigger will probably be a collapsing dollar or a derivate collapse. Maybe it could be the passage of the HR 1270 to audit and investigate the Fed. When the public discovers what the Fed has been up to there will be thunder and lightening. Could it be that finally the public and professionals will demand front-running Goldman and 15 other Illuminist firms to return the money they have stolen? As you can see the media has buried the story. This gives you an idea of the shape of things to come. Get ready for hard times and protect your wealth in gold and silver related assets.

Many believe that global reflation and recovery chances are getting greater and that the American consumer is about to ride to the rescue. We do not know what US economy they are looking at, but it is not the same one we are. Unemployment continues to rise. Consumers are paying off debt and consumer buying continues to fall. What can they be missing here? The psychology of the public changed two years ago and it is still going in the same direction. Just because there is global reflation it doesn't mean consumers will take the bait and buy. The Fed and many other central banks may be coordinating reflation but it doesn't mean banks will lend and consumers will buy.

We hear a dollar rally will bring back American and world confidence. We just had a dollar rally to 89.5 and it evaporated. As we write it is 78.07 not only having great difficulty rallying back past 80, but government intervention had to save it last Friday as it tested the 77.50 area. At the same time budget deficits get larger and larger and the fed cannot print money and credit fast enough. Right now debt issuance is being secretly purchased by the Fed and all the central banks know it. These are not formulas for success, but for hyperinflation.

We ask over and over again how is it that the major policymakers and top economists at the BIS, Bank for International Settlements, the bankers bank, in Basel (Bale) Switzerland, said the US and world finance were headed for very serious trouble, but yet the BIS and the central banks rejected their admonitions? The reason is the bankers knew the US and world economies were being deliberately destroyed in order to force the world's population to accept world government.

These economists and analysts have been proved correct but a power greater than the BIS was pulling the strings. Obviously having the biggest failure since 1930 doesn't concern the BIS or its masters.

Fifty-five central banks own the BIS and every two months they journey to the Basel headquarters near the German border to discuss direction, drink the world's best wines and to eat the best cuisine. Then there is the BIS's privately owned country club and tennis accommodations. This is why the BIS is called the "Vatican of Finance." All meetings are in secret and nothing is ever divulged. It is a stock cooperation and once was publicly traded until they forced sale of the shares owned by the public. Needless to say, they tried to screw the shareholders on the buyback.

The BIS pays no taxes and it's members and employees enjoy extensive immunity. The BIS is totally a secret cabal of bankers. It manages 4% of the world's currency reserves and 120 tons of gold. They set interest rates as well. What a sweet racket.

It should have been obvious to many economists that what Greenspan did during the 1990s creating the dot.com boom and then their real estate bubble that he was leading America toward financial trouble. The management of the BIS and those 55 central bankers had to know these were the wrong things to do, as the BIS professional staff was saying you are doing the wrong thing.

The BIS even published a report in 2003 warning buyers about collateralized debt obligations and the incestuous ratings of the rating services with Wall Street. The warnings were deliberately ignored. Since Ben Bernanke has taken over it's been more of the same. Whatever they do it is over. We will have our deflationary depression and more war and the world public will stumble to their demise.

AMG data reports equity fund outflows were $1.1 billion for the week ended 8/19 versus inflows of $391 million the prior week.

July existing home sales were better, but this is the center of the home buying season, much Fed money has been poured into the economy including an $8,000 first time buyer tax credit. Single family homes sold fell 5,000 units, as Northeast condo sales rose.

The big problems are fewer and fewer qualified buyers and massive inventory, which grow every day, plus all the houses lenders haven't even listed yet. First-time buyers and foreclosures, short sale buyers, the distressed investors, represent 61% of the estimated July sales. The $8,000 incentive is similar to the Cash for Clunkers. It just takes sales away from the future. The home selling season peaked this month. Then you have the foreclosure flippers, who if they cannot get a buyer have to rent the dwelling out. The problem is the rental market is loaded with inventory as well. The percentage of properties in foreclosure or delinquency has hit a high of 13.2% of all single-family mortgages. Making matters worse is that there has been a steady jump in foreclosures in prime mortgages and FHA insured mortgages most of which are the result of a resumption of subprime lending 1-1/2 years ago. The Fed trying to put a floor under the market will end up being a loser to be added to their long list of fascist policies.

Philadelphia has unveiled its worst service cuts since 1951. Eliminated will be 929 police officers, 120 firefighters, 520 recreation positions, 490 library staff and 112 health workers.

Last week saw the Dow up 2% and the S&P 2.2%. The Russell 2000s, up 3.1% and Nasdaq was up 1.6%. Banks gained 2.8%; broker/dealers 1.2%; cyclicals 1.5%; transports 1.7%; consumers 3%; utilities 2%; high tech 1.7%; semis 2.3%; Internets 1.6% and biotechs 2.4%. Gold bullion rose $5.60 and the HUI added 0.3%. The USDX fell 1% to 78.07.

Total commercial paper out jumped $35.9 billion to $1.111 trillion. CP has declined $571 billion ytd, or 54% annualized. Asset backed CP fell $6.2 billion, with a 52-weekdrop of $334 billion.

The federal government is casting more broadly as it seeks buyers for a growing number of failed banks, including entertaining bids from foreign firms and seeking to attract new investors to the industry by easing restrictions.

The results were on display Friday, as regulators seized Guaranty Bank of Texas and immediately sold its branches, deposits and most of its assets to Spain's Banco Bilbao Vizcaya Argentaria.

The failure of Guaranty, with $13 billion in loans and other assets, was the 10th-largest in U.S. history and the fourth-largest since the financial crisis began last year.

The greatest threat to that process is the dwindling supply of buyers. Guaranty is the 106th bank to fail since the beginning of 2008, and some healthy banks have sated their appetites for acquisitions. Regulators liquidated a Nevada bank last week after failing to find a buyer.

The sale of Guaranty to BBVA is the first to a foreign buyer during this crisis. The Federal Deposit Insurance Corp., which sells failed banks, also is considering rules that would make it easier for private investors to participate in the bidding, which is generally restricted to healthy banks. The agency already sold BankUnited of Florida to private investors in May.

Guaranty Bank, based in Austin, has its roots in the nation's previous banking crisis, the savings-and-loan failures of the late 1980s. The company was created from the pieces of several troubled Texas savings and loans, and then later expanded into California.

Guaranty's troubles stemmed mostly from its mortgage lending business. The bank made billions of dollars in high-risk mortgage loans in booming markets such as California and Florida, and it invested billions more in loans made by other companies. Spiraling losses ate through the company's capital cushion, leading it to issue a highly unusual public prediction earlier this month that it would be seized by regulators.

The failure of Guaranty is another black mark against the Office of Thrift Supervision, the federal agency that regulates banks specialized in mortgage lending. Most of the largest firms to fail during the current crisis were regulated by the OTS, including Washington Mutual, IndyMac Bancorp and now Guaranty. As with the other OTS failures, Guaranty's troubles derived in large part from the sale of "option ARM" mortgages, adjustable-rate loans that were specifically structured to allow people to borrow more money than they could afford.

Option ARM loans made up about one-third of Guaranty's portfolio of mortgage loans, according to the company's financial disclosures.

Financial analysts considered it only a matter of time until a foreign bank would prevail in the bidding for a failed U.S. bank. Several foreign banks have large footholds in the United States, including HSBC, Toronto-Dominion and the Royal Bank of Scotland, which owns Citizens Bank. Toronto-Dominion has made bids for failed banks through its U.S. subsidiary, TD Bank, but analysts said many foreign banks have been preoccupied healing their own wounds.

BBVA and its major Spanish rival, Banco Santander, are notable exceptions. Spain's unusually stringent banking regulations kept both banks relatively healthy, and they have emerged from the crisis looking to expand. Santander bought struggling Sovereign Bank last fall.

BBVA expanded its U.S. presence with its $9.6 billion purchase of Compass Bancshares in 2007, giving the company almost 600 branches from Alabama to New Mexico. The Guaranty deal gives the company more than 150 additional branches split between Texas and California.

The company also owns the largest bank in Mexico, Bancomer.

AnnTaylor Stores Corp., the retailer of women's business attire, reported a 21 percent drop in revenue in the second quarter and forecast continued pressure on sales this year.

Sales at locations open at least one year declined 22.5 percent. Comparable-store sales at Ann Taylor stores plummeted 38 percent, while those at Loft dropped 15.4 percent.

Manufacturing employment in the U.S. peaked in June 1979 with 19,553,000 jobs and by July of this year manufacturing employment had fallen to 11,817,000, the lowest level of manufacturing jobs since April 1941 (see chart above).

As a percent of the total labor force, manufacturing employment fell below 9% in the lowest

level in BLS history (back to 1939).

The number of New Yorkers filing bankruptcy has spiked 21 percent in the first half of 2009 — a clear indication that the still weak job market will continue to hamper a consumer spending revival and weaken the recovery now underway.

In all, 22,014 persons throughout the state were forced to seek court-protected safety after running up too much debt — some were forced to file after attempting for years to right their fiscal situation on their own, which shows just how stubborn this recession is.

Angry victims of Bernie Madoff opened up a new front last week in their battle to regain some of the $65 billion lost to the epic Ponzi schemer — they are demanding an elite investment bank fork over as much as $7.5 million in fees it pocketed after handing over their cash to one of the fraudster's giant feeder funds.

The investors claim Standard Chartered Bank blindly handed over the funds to Walter Noel's Fairfield Sentry fund and then collected the fees on "phantom valuations," provided by Madoff. The demand for the return of fees, which came in a lawsuit filed in Miami this month, is the first time victims have lashed out at investment bank fees.

"It is our view that this case is indisputable," said Scott Dimond, the lawyer representing the victims. "We are not seeking the return of the principle investment here, we simply believe that Standard Chartered should not have been collecting fees for investing in assets that did not exist."

Dimond estimates that Standard Chartered, which bought the international banking arm of American Express for $823 million last year, placed about $300 million of its clients' cash with Fairfield Sentry that was in turn invested in Madoff's Ponzi scheme.

Standard Chartered declined to comment on the lawsuit.

If the Miami case succeeds it could be the start of a slew of lawsuits against Standard Chartered and other investment banks that charged their clients fees for investing with Madoff.

Jake Zamansky, a New York securities lawyer, claims to have amassed a group of additional former Standard customers who want to sue the bank for the money they lost and for the fees they paid.

In the depths of the recession, the tiniest private firms accounted for a disproportionate share of the job losses, the Labor Department said. Companies that employed fewer than five workers — where 5.1% of the private-sector work force is employed — accounted for 14.5% of the job losses in the fourth quarter of 2008.

The ruins of Washington Mutual's aggressive and unorthodox growth strategy is no more apparent than in the Windy City, where roughly 75% of the bankrupt bank's branches have gone dark. It's a stark harbinger of what looms ahead for recession-battered retail real estate. A growing number of vacant branches being dumped on the market due to mergers and Chapter 11 filings are poised to push vacancy rates higher and exacerbate weak property values.

Nationally, 29% of adults believe economic conditions in the U.S. are getting better while

46% say they are getting worse.

The Rasmussen Investor Index, which measures the economic confidence of investors on a daily basis, dropped a point on Sunday to 85.6. While the index is down three points over the past week, it is up 17 points over the past month. Investor confidence is now up 23 points from the beginning of the year. Among investors, 34% say economic conditions are improving and 41% say they are getting worse.

The inventory of unsold homes on the market increased to 4.1 million, from 3.8 million, a 9.4-month supply at the current sales pace, unchanged from June…Is this data a sign of economic recovery?

To be sure, the stock market and smart money often try to anticipate recoveries long before they are evident in the numbers.

But a “relief rally” — that is, the exuberance that accompanied the fact that our economy appears to have avoided another Great Depression — won’t have the same staying power as a move based on solidly improving operations. So understanding what’s going on in banks’ financial statements is worthwhile.

Unfortunately, that assessment shows that the number of financially sound banks is declining and that the ranks of troubled institutions are growing. Indeed, Mr. Whalen said his figures show more stress in the banking industry in the second quarter of 2009 than in the immediately previous periods.

For example, Institutional Risk Analytics gave 4,234 banks a rating of A+ or A (as a measure of their financial soundness) as of June 30. That total was down 21 percent from the end of March and 25 percent from the end of 2008. Meanwhile, it slapped a failing grade on 1,882 banks as of June 30, up 16.5 percent from the end of March; the number with failing grades had dropped a bit in the first quarter.

This downward migration is a sign that more banks are now feeling the effects of economic conditions regardless of their business models, Mr. Whalen said. In other words, even the best-run banks are having trouble escaping the impact of a sluggish economy and high unemployment.

Goldman Sachs Group Inc. research analyst Marc Irizarry’s published rating on mutual-fund manager Janus Capital Group Inc. was a lackluster “neutral” in early April 2008. But at an internal meeting that month, the analyst told dozens of Goldman’s traders the stock was likely to head higher, company documents show.

The next day, research-department employees at Goldman called about 50 favored clients of the big securities firm with the same tip, including hedge-fund companies Citadel Investment Group and SAC Capital Advisors, the documents indicate. Readers of Mr. Irizarry’s research didn’t find out he was bullish until his written report was issued six days later, after Janus shares had jumped 5.8%.

Every week, Goldman analysts offer stock tips at a gathering the firm calls a “trading huddle.” But few of the thousands of clients who receive Goldman’s written research reports ever hear about the recommendations…Securities laws require firms like Goldman to engage in “fair dealing with customers,” and prohibit analysts from issuing opinions that are at odds with their true beliefs about a stock.

The Rasmussen Reports daily Presidential Tracking Poll for Sunday shows that 27% of the nation's voters Strongly Approve of the way that Barack Obama is performing his role as President.

Forty-one percent (41%) Strongly Disapprove giving Obama a Presidential Approval Index rating -14. These figures mark the lowest Approval Index rating yet recorded for this President.

The U.S. Midwest posted its first monthly increase in manufacturing during July due to a big jump in auto production, according to data released Monday by the Federal Reserve Bank of Chicago.

The Midwest Manufacturing Index rose 2.6% in July to a seasonally adjusted level of 79.7. It was the first monthly gain for the index since June 2008, and the sharpest monthly rise since September 2003. However, the index had rebounded from a 16 year low in June, as the economy tries to dig out of a deep recession.

The Chicago Fed revised downward its June index to 77.7, from an initial reading of 78.1. The index for July was 22.8% below the reading for July 2008. Nationwide, manufacturing was 14.3% compared to the same time a year ago. On a monthly basis, U.S. production was 1.1% higher in July.

Only the auto sector registered a monthly production gain in July, from the four categories that make up the headline index.

Auto production climbed 16.3% in July after a 0.5% increase in June. Compared to year-ago levels, Midwest auto output was still down 32.4%.

Taylor, Bean & Whitaker files Chapter 11 bankruptcy.

11,000 veterans who had colonoscopies at U.S. Veterans Affairs hospitals may have been exposed to hepatitis B, hepatitis C and HIV.

The veterans were advised equipment used during their treatment was not sterilized. Of those so far that responded by having follow-up blood checks, 8 have tested positive for HIV. Twelve of the veterans have tested positive for hepatitis B, and 37 have tested positive for hepatitis C.

This week it was learned a 55-year-old North Miami man, Juan Rivera, a thirteen-year Army veteran with a wife and 5 children, filed notice last month that he will sue the Federal Government claiming he was infected with HIV during a colonoscopy at the Miami Veterans Administration hospital. He had a colonoscopy at the hospital in May last year.

Rivera is suing the government for $20 million.

On March 28, the VA department wrote to more than 3,000 veterans who had colonoscopies at the Miami VA hospital advising them that improperly cleaned equipment might have exposed them to hepatitis B, hepatitis C and HIV.

VA officials say endoscopy equipment was rinsed instead of being sterilizing as was required by the manufacturer's directions.

Similar problems were uncovered at VA hospitals in Murfreesboro, Tenn., and Augusta, Ga. The total number of veterans subsequently blew out to more than 11,000.

Following congressional inquiries, Miami VA hospital director Mary Berrocal disciplined up to 10 employees.

The Federal Reserve must make records about emergency lending to financial institutions public within five days…Manhattan Chief U.S. District Judge Loretta Preska rejected the central bank's argument that the records aren't covered by the law because their disclosure would harm borrowers' competitive positions. The collateral lists "are central to understanding and assessing the government's response to the most cataclysmic financial crisis in America since the Great Depression," according to the lawsuit that led to the ruling.

http://www.bloombergs.com/apps/news?pid=20601087&sid=afi7TJiJFys0 [This is a very important ruling. It opens a Pandora's box for the Fed. It could quickly bring about a House vote on HR 1207.]

A "profanity-laced screaming match" at the White House involving CIA Director Leon Panetta, and the expected release today of another damning internal investigation, has administration officials worrying about the direction of its newly-appoint intelligence team…Panetta has reportedly chafed at reporting through the director of National Intelligence, Dennis Blair, according to the senior adviser who said Blair is equally unhappy with Panetta.

The article in yesterday's WSJ with solons warning that the Fed should not replicate the tightening of 1937 because it produced the second dip of the Great Depression is the latest attempt by US solons to rationalize papering over intractable US problems.

"What you learned from that episode in 1937 is that it's not enough to be

recovering," says Christina Romer, chairman of the president's Council of Economic Advisers and an expert on the Great Depression. "You don't want to do anything when you start recovering that nips it off too soon."

For fiscal conservatives, the answer is equally clear: Start cutting the federal deficit and slowing the growth in the money supply now, before the binge generates a burst of inflation. Ms. Romer is "sending the absolutely wrong message — that we can't do anything to worry about inflation until the recovery is locked in because of concern for unemployment," says Allan H. Meltzer, a political economist at Carnegie Mellon University.

There are several problems with the usual suspects' latest attempt to rewrite history.

The first problem is time. First grade math shows us that 1937 is eight years after 1929. We are only one year past the Panic of 2008. There were numerous twists and turns in politics, the economy and markets from 1929 to 1937. We are only at 1930 now.

Then there is the claim that the Fed panicked and pulled liquidity too early without reason. Here is the biggest lie, fabrication, etc, that is being proffered. It's on a par with 'the Fed tightened liquidity and hiked interest rates after the Crash of 1929.

Inflation increased from 1934 to 1937, with the biggest surge (4.22%) coming in 1937. Please keep the following chart handy so you can dispel revisionist history by those that

want to keep papering over US problems or portray the Fed as omnipotent as long as they keep pumping money.

The third misrepresentation is the Fed substantially hiked interest rates. Three-month T-Bills SOARED from 0.14% to 0.45% in 1937. Yep, that massive increase killed the US economy; and who cares about inflation jumping 19-fold with unemployment still at teenage rates? Can you imagine what the 4.22% jump in inflation did to 'real' wages and living standards in 1937?

As shown in Figure 1, the CPI and the unemployment rate were relatively stable during the 1920s. But, during the first four years of the Depression, the CPI plunged as the unemployment rate soared. That prices fell during the early part of the Depression is consistent with either version of the Phillips curve model of inflation. What is surprising is that the CPI then rose steadily from 1934 through 1937, despite the unemployment rate averaging over 18% during that period.

Congressman Tony Weiner (D-NY) expressed outrage that the administration would project negative CPI before it occurs. Obviously he has not noticed the ridiculous economic data that has poured out of the government over the past many years or the current desperate attempt to rig the system.

You wanted change – you got it. Barry Saetoro and his Illuminist friends have decided there will be no change in the COLA this year. All of you on pensions and Social Security are getting a big fat zero, as Barry and his buddies give banks, Wall Street, insurance, pet corporations and foreign banks $23.7 trillion. This is what corporatist fascism is all about, screwing the public, the ultimate precision. This is a result of under reporting inflation like in some banana republic.

Municipalities are compromised and cutting staff and expenditures, such as personal income and revenues collapse. Unemployment is headed higher, both residential and commercial real estate are collapsing and the poor and retirees have been left out in the cold to deal with funding survival. Next is euthanasia.

Our President tells us the 10-year budget projection is $9 trillion. In five years it will be double that.

Fed Chairman Ben S. Bernanke, who has led the biggest monetary expansion and expansion of power, since the Fed came into being in 1913 has been nominated to a second term by our President.

The S&P/Case-Shiller Report of 10 and 20 city indexes have dropped 54.3% and 45.3% respectively from their 2006 peaks. The US National Home Price Index recorded at 14.9% decline for the second quarter, versus a 19.1% yoy drop in the first quarter. Quarter-to-quarter prices rose by 209%, the first increase in three years.

Single-family home prices rose adjusted 0.5% in June, but were down 5% from a year earlier. This was smaller than May's increase, which was a 0.6% gain.

Economic activity in the central Atlantic region was unchanged in August, the Federal Reserve Bank of Richmond reported Tuesday.

The bank's manufacturing index stood at 14 in August, versus 14 in July. Its shipment index,

however, jumped to 21 in August from 16 in July. The employee index rose to zero from -5.

Confidence among U.S. consumers increased in August as consumers became less worried about the outlook for the labor market.

The Conference Board’s confidence index rose to 54.1, more than forecast and the first gain in three months, from 47.4 in July, a report from the New York-based group showed today. The figure reached a record low of 25.3 in February.

The International Council of Shopping Centers and Goldman Sachs Retail Chain Store Sales Index was up 0.6% in the week ended Saturday from its level a week before on a seasonally adjusted, comparable-store basis.

On a year-on-year basis, retailers saw sales decrease 0.2% in the latest week as struggles continue.

National chain store sales fell 0.7% in the first three weeks of August versus the previous month, according to Redbook Research’s latest indicator of national retail sales released Tuesday.

The fall in the index was compared to a targeted 0.6% drop.

The Johnson Redbook Index also showed seasonally adjusted sales in the period were down 4.4% compared with August 2008, compared to a targeted 4.3% fall. The latest numbers don’t include Wal-Mart Stores Inc. (WMT), which said in May it would no longer provide monthly sales figures.

The federal budget deficit will total $1.6 trillion this year as revenue falls and the U.S. government spends at the fastest pace in 57 years, according to the nonpartisan Congressional Budget Office.

Next year’s deficit will total $1.4 trillion, the agency said today. The CBO also said it anticipates a “relatively slow and tentative” economic recovery because of “global economic weakness, continued strains in financial markets and households’ desire to rebuild their savings.”

The economy will grow between the fourth quarter of this year and next year by 2.8 percent and by 3.8 percent in 2011, the agency said. Unemployment will increase next year to 10.2 percent before falling to 9.1 percent in 2011, the agency said.

This year’s deficit, for the fiscal year ending Sept. 30, will amount to 43 percent of the $3.68 trillion the government will spend, the CBO said. The gap will be equal to 11.2 percent of the economy, the biggest since World War II. The shortfall is largely attributable to the financial crisis, CBO said.

“That deficit figure results from a combination of weak revenues and elevated spending associated with the economic downturn and financial turmoil,” the report said.

“The deficit has been boosted by various federal policies implemented in response, including the stimulus legislation and aid for the financial, housing and automotive sectors.”

Home prices in 20 U.S. cities fell in June at a slower pace than forecast, signaling the real-

estate crisis that triggered the worst recession since the 1930s could be dissipating.

The S&P/Case-Shiller home-price index declined 15.4 percent from a year earlier, the smallest drop since April 2008, the group said today in New York. The gauge rose from the prior month by the most in four years.

Lower prices and government stimulus efforts have made homes more affordable to first-time buyers, spurring increases in sales that will eventually stem the slide in property values. Gains in housing and stocks will speed the process of restoring the record loss of wealth that has shackled consumer spending, which accounts for 70 percent of the economy.

Nearly 1 in 10 Bay Area homeowners will be at least 60 days behind on their mortgages by the end of the year, according to a forecast being issued today.

The projection by the credit reporting agency TransUnion covers Alameda, Contra Costa, Marin, San Francisco and San Mateo counties.

In early 2007, as few as 1 out of every 100 Bay Area mortgages was delinquent. TransUnion analyst Ezra Becker called the new figures sobering and dramatic.

Mortgage delinquencies are often a precursor to foreclosures, and as more Bay Area homeowners fall behind, more foreclosures will follow, said Ken Rosen, chair of the Fisher Center for Real Estate and Urban Economics at UC Berkeley.

“Foreclosures will continue to be a drag on the housing market for the next 18 months or so,” said Rosen, who thinks the outlying suburbs will be hardest hit while areas like San Francisco and the inner East Bay will suffer less.

TransUnion also projects that 1 out of 7 California homeowners will be at least two months in arrears before the new year.

The projected Bay Area delinquency rate of 9.45 percent and the statewide rate of 14.16 percent exceed the anticipated nationwide rate of 6.93 percent.

By year end, TransUnion expects California to have the third-highest delinquency rate in the nation, behind Nevada at 16.65 percent and Florida at 16.04 percent.

“This has been a very regional recession in terms of impact,” Becker said, with the places that experienced the biggest housing bubbles experiencing the worst busts.

Becker said delinquency rates of 1.6 percent to 2 percent were typical in the years leading up to the housing bust.

Homeowners who fall behind on their mortgage payments have become much less likely to catch up again, a new study shows.

The report from Fitch Ratings Ltd., a credit-rating firm, focuses on a plunge in the “cure rate” for mortgages that were packaged into securities. The study excludes loans guaranteed by government-backed agencies as well as those that weren’t bundled into securities. The cure rate is the portion of delinquent loans that return to current payment status each month.

Fitch found that the cure rate for prime loans dropped to 6.6% as of July from an average of 45% for the years 2000 through 2006. For so-called Alt-A loans — a category between prime and subprime that typically involves borrowers who don't fully document their income or assets — the cure rate has fallen to 4.3% from 30.2%. In the subprime category, the rate has declined to 5.3% from 19.4%.

"The cure rates have really collapsed," said Roelof Slump, a managing director at Fitch. Because borrowers are less willing or able to catch up on payments, foreclosures are likely to remain a big problem. Barclays Capital projects the number of foreclosed homes for sale will peak at 1.15 million in mid-2010, up from an estimated 688,000 as of July 1.

Town hall meetings called to discuss proposed health care legislation turned violent Thursday, with a meeting in Tampa, Fla., descending into shouting and one in St. Louis ending in arrests.

Close to 1,500 people came to the Tampa suburb of Ybor City to speak with Democratic State Rep. Betty Reed and U.S. Rep. Kathy Castor, an event that exploded into a near riot.

According to local media reports, the larger-than-expected crowd gathered outside the Hillsborough County Children's Board building, where several hundred people, most of whom opposed a government health care plan, began to loudly chant and scuffle with the police.

The FDIC has delayed their much awaited for report, which tells us they are doctoring the figues. Hopefully we will have something for you in Saturday's issue.

William Galvin, Massachusetts's chief financial regulator, subpoenaed Goldman Sachs demanding information on the firm's dissemination of analysts' tips to major clients and its own traders.

Goldman Sachs research analysts give short-term tips to traders and later to big clients, according to published reports describing weekly meetings known as "trading huddles" at the bank. Galvin is concerned the practice puts some customers at a disadvantage, he said yesterday.

The US Postal Service is hoping to save as much as $500 million by offering financial incentives to employees who resign or retire before yearend.

Eligible employees — members of the American Postal Workers Union or National Postal Mail Handlers Union — will be offered $15,000 to leave. Most of those affected work at mail-processing facilities.

The Postal Service estimates that as many as 30,000 employees might accept the offer, the first since 1992.

Mail volume has been slashed by the recession and a shift to e-mail, prompting the Postal Service to institute a nationwide hiring freeze.

The Postal Service is on track to lose more than $7 billion this fiscal year and is considering other cost-cutting measures such as shuttering some post offices and eliminating Saturday mail delivery.

"Management has been forced to reduce costs, but unfortunately, the cuts have been applied disproportionally to bargaining-unit employees, especially to those in mail processing," American Postal Workers Union President William Burrus said.

The agreement applies to career full-time employees who retire or leave through voluntary early retirement or voluntary separation. Part-time employees who leave may be eligible for small incentive packages.

About 280,000 employees are eligible for the offer, which is open until Sept. 25.

In July, home sales in the county rose 20.1% from a year ago, but home prices continued to drop sharply. Median prices were down 25.9% compared with July 2008. [This means supply is still larger than demand.]

Low-price homes are now getting multiple offers and selling for more than the asking price, Albright says. But high-price homes are on the market much longer.

Even if jobs improve, it's unclear if the housing market will see prices turn around any time soon. The bank-owned properties and short sales are good news for buyers but not for sellers. All home values are dragged down.

He has saved the world but he helped cause the crisis in the first place, writes Ambrose Evans-Pritchard. As a Princeton professor and then a junior Federal Reserve governor, Mr. Bernanke was the intellectual architect of his predecessor Alan Greenspan's policies that so distorted global finance and pushed debt to historic extremes.

Indeed, he was picked to join the Fed because he provided academic cover for Greenspan's view that asset bubbles do not matter. He blamed credit excesses on Asia's "saving glut", arguing that reserve accumulation by export nations suppressed global bond yields.

The economy could spiral into hyperinflation not seen since the early 1980s if the Federal Reserve does not tighten its monetary policy soon, Sen. Chuck Grassley (R-Iowa) warned Tuesday.

The Federal Reserve chose a labor leader to succeed a former Goldman Sachs executive as the chairman of the Federal Reserve Board of New York's private-sector board of directors.

Denis Hughes, president of the New York state branch of the AFL-CIO, had been serving as acting chairman of the New York Fed board since May.

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