

Currency Warfare

Review of Financial Markets

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This past week was one of utmost turmoil in world markets. In the midst of an American holiday, Dubai faced bankruptcy for some \$100 billion. Another unsuspected untoward event. The exposure of the Dubai event coming as it did could have been discovered at any given time, thus, we question the timing. We can understand why the London market was off some 300 Dow points, but exposure to Dubai was very limited in Europe, the US and in Asia. Could it have been an excuse to take down the US and European markets and gold and silver? We do not know, but we have come to question everything that happens.

We are predicting a very damaging year in 2010 for both stocks and bonds. One of the big questions is the implementation of Basel II and III and the FASB. If their stricter accounting practices are enforced the corporate world is in for a heap of trouble. Financial firms are in particular danger. In this past 3rd quarter non-financial corporate profits fell 12%. The result was that \$97 billion of \$123 billion in profits came from the financial sector. This is not a balanced performance. It is very disturbing because most of corporate profits come from cost cutting - that is firing employees. That method of fattening the bottom line cannot continue indefinitely. Lending is not supplying those profits, because loan origination is off 16.2% yoy. Loan defaults were up 10% and a record 5% of loans were not current. Lending fell \$2.8 billion, the most since records began in 1984. Ninety percent of loans go to consumers and business, which means consumers consumption of GDP, has had to fall. It's currently 69.3%, down from 72%. Loans to businesses have fallen 6.5% and small and medium-sized businessmen create 70% to 80% of all jobs. That means improving the employment situation is going to be very difficult. The exceptions are transnational conglomerates, which continue to offshore our production and outsource service jobs. Their profits are up 29%, but they have caused unemployment of 7 million good paying jobs over the past nine years. If you remove the financials, profits are up 7% off their lows. The financial stocks have appreciated 135% off their March lows, which we believe leaves them very vulnerable. Industrials are up 80%. While this was going on business profits fell 0.4% in the 3rd quarter with no relief in sight. Growth rates are falling at the highest rate in decades. We are hard pressed to believe that 3rd quarter growth was 2.8%. What growth there was came from the federal government. Not only is employment falling, but wages have been at a standstill and have been for two years. The government says inflation is 1.2%. We say it is 7-1/8%. Without higher wages buying power is falling 5% or so - hardly inducive for consumer consumption.

In addition to market vulnerability and a very questionable economic recovery we now have to watch world banking deal with the Dubai problems, which is going to bring on a currency warfare, which will bring trade warfare. Soon the accusations will fly and it will be every

currency, or country for itself, and that will bring tariffs. We have already seen that with US increasing tariffs on steel and tires with China. The US may have many faults, but other countries are not blameless. All have been devaluing their currencies for years. The ultimate consequences for the world will create difficulties that could eventually lead to wars, domestic and social unrest, and additional unemployment in all countries. Whether you realize it or not this process has already begun. The only avenue left open to nations has been the unbridled creation of money and credit and monetization. That has been accompanied by the concept of too big to fail. This is why the Illuminist lending institutions are being saved and that is being paid for by the public. In 1990 it was decided that in order to keep the system from collapsing, derivatives would be created, as an adjunct to what we now call quantitative easing, a creation of the Federal Reserve. This is another reason why the Fed and its fellow elitists do not want HR 1207 and S604 passed. It will expose the giant Ponzi scheme they have created in partnership with Fed shareholders JP Morgan Chase, Goldman Sachs, Citigroup and others. The edifice is a house of cards. Professionals do not understand how important it is for the Fed to be terminated. It is the core of central control of not only the US economy, but also those of many other nations. Its demise will give America the opportunity to begin a new system not controlled by moneychangers.

The implementation 50 years ago of free trade, globalization, offshoring and outsourcing upset the balance of trade worldwide. It shifted production and sources to the East from the West. A battle that could not conceivably we won by the West with its much higher standard of living. The wealthy elitists don't care about the living standard of the West, or anyone for that matter, except themselves. They have made the tax free offshore profits and with those further power to control nations. The Fed controls the dollar - the reserve currency of the world. They could do as they pleased. It created imperial America after WWII. Thus the unbalance caused the steadily depreciating dollar, currency manipulation and free trade have destroyed the world's financial architecture. The result has been massive trade deficits in the West and surpluses in the East. The East and the transnational conglomerates call for freer trade and that is understandable as they have millions of people who will work for virtually nothing. This way the populace can be fed at the expense of the West. Without fair tariffs the world ends up in financial chaos and that is exactly where we are headed. Unfortunately economists and analysts won't tell you the truth and give us conclusions, because they are perpetually compromised by the Illuminist system. If they tell the truth they are banned from the system. If they keep expressing the truth they are liquidated. All world leaders are well aware of the situation and go right along with the program to stay in power and enrich themselves. Again, next comes the escalation of currency war and tariffs. If you remember we mentioned recently that Germany's businessmen were demanding a weaker euro, so they could compete in the middle of a depression. What they do not understand is that the dollar is a failed currency, that has to depreciate whether they like it or not. For the last ten years the eurozone has held a special position with an inexpensive currency. Now it is reality time. It is not the strength of the euro - it is the weakness of the dollar that is now perpetual. They are going to have to live with it. The easy days are over for everyone. You could read it in the tea leaves. For the last six years every country in the world's currency has fallen versus gold. No one, but a few, wanted to recognize that the very sophisticated were exchanging currencies of declining value for gold. Now more are catching on and in time it will be a thundering herd. The nations of the world have exchanged their wealth for depreciating paper as a cost of entering foreign markets to do business. If they are lucky they will end up with \$0.30 to \$0.40 on the dollar, once official devaluation takes place a year or so from now. All the actions by imperial America since WWII have led to the current state of affairs. All the wars and the debt created have come

home to roost. All empires end the same way. The toughest kid on the block eventually loses by being knocked out. The con of the Communist menace and weapons of mass destruction are not working anymore. Even the deal with China has broken down. Manufacturing would be shipped to China and China would fund US debt. Now the Chinese have found out it wasn't worth it and are exchanging dollars for things, such as commodities and gold and silver. China has discovered that they have been had.

In the background beyond the things we know about, the Fed and its controllers, the investment banks, is the derivative market and the markets of securitization of assets, some synthetic and some real. As long as confidence in these markets prevail the system works. We do not believe that will continue and when that happens the results will be catechismic. We are talking \$1.4 quadrillion or more in assets that in part do not exist created to leverage the system to save it and in turn enrich the key players and extend their powerful grip on America and humanity.

As a result of all this the only way the players can keep the game going is by inflating via quantitative easing and monetization. They know the game will soon end and the dumb sheep will be shorn again. The monetary collapse is on the way. If you read our last issue you know that the elitists expect to devalue the dollar officially by the end of 2010. It could take longer, but it is going to happen. The suspension of the Fed by Congress is on the way as is another war - a war extensive and powerful enough to destroy more than half of humanity. The system as we now know it is in the final state of collapse.

The masters of the universe, as they believe themselves to be, made a major error within the residential and commercial real estate bubbles. They couldn't create enough virtual money fast enough and it was discovered that the assets were not AAA, but in fact BBB. Once the ruse was discovered confidence and trust was lost and now they are scrambling to keep the system afloat. In addition these geniuses ran out of real assets to play with. They needed a need of new assets to play with. They were to come from a stock market that was to rise from Dow 6600 to 10,500. The problem is the market rise turned out to be just a holding action. CNBC and its long list of Wall Street players would have us believe the market is under priced and ready for recovery. Not in your wildest dreams. The black hole has been entered. Each day fewer and fewer people worldwide refuse to believe that something is too big to fail. All the kings horses and all the kings men, including all the central banks, won't be able to put this one back together again. Monetization is really virtual money - in creating a hoax. It is the transfer of funds made up out of thin air to its owners - the banks - to keep them from collapsing. This is the ultimate in moral hazard. The elitists get away with it because the public and our leadership do not understand what they do. They may well be catching on though, as 75% of Americans want the Fed audited and investigated. That has send cold shivers up the backs of our resident Illuminists.

The last time Congress wouldn't heel to these destroyers Mr. Paulson told them that is fine, we will just let the system destruct. Our bought off Congress heeled and succumbed to their masters.

In the final analysis the game is in the process of ending. The game of bookkeeping entries is over. Reality is in the process of taking command. Zero loans from the Fed to their owners in the form of money made up out of thin air, then turned into interest bearing deposits is ludicrous on its face. How can any educated person believe in such chicanery? We give the banks money and then pay them for holding it for them. We call that free money - a gift - that no one else in the nation gets, except for these anointed banks. No jobs are created,

less money is loaned and the malefactors are rewarded. What kind of a system is this? Few say anything for these elitist control the media as well and are shamed into silence even newsletter writers.

America's military force is become less and less as a factor. The world markets are simply reflecting the reality of the monetary and fiscal problems. No military in the world can defeat this reality. You cannot conquer bankruptcy. America can never pay its debt. The powers behind government blinked and their bluff have been called. The problem is there will be no winners. Every person on this planet will be a loser. 2010 will signal the beginning of the end for the world financial system. The US and world economy will begin spiraling out of control. First by official devaluation and default, and by an implosion into violence. There won't be money to keep the system afloat.

Desperate people do desperate things. Why would the Fed be buying Treasuries, mortgage backed securities - toxic waste, Agencies - Fannie, Freddie, Ginnies and FHA toxic waste, why would they be guaranteeing the Libor market or doing swaps, and lending money so banks can make interest off of the taxpayer if they were not in desperate straights. They are bailing out big banks, brokerage houses and insurance companies at our expense. The whole thing is insanity and we do not hear a peep from Congress.

There is no recovery and there won't be any recovery no matter how much money is poured into the system. There still isn't adequate capital and there never will be. The system has to be purged and the Illuminists won't allow it until their power is taken away from them. This Fed, this lender of last resort, is a criminal enterprise. Do not expect any help or any admission relating to what they have done. Bank loans are off 16.2% yoy, and Citigroup is hoarding \$244.2 billion and JP Morgan Chase \$453.6 billion. While this goes on our currency continually is debased. It won't take long for the roof to fall in. Just be patient and own gold and silver related assets.

Last week was quite a week. The Dow slipped 0.1%, the S&P was unchanged, the Russell 2000 fell 1.3% and Nasdaq rose 0.1%. Banks fell 1.5%; broker/dealers 4.4%; cyclicals 0.1% and transports 0.6%. Utilities rose 0.1%; high tech rose 0.1%; semis 0.6% and biotechs gained 2.2%. Internets fell 0.4%.

Two-year T-bill yields hit a new low of .50%; the 10's fell 17 bps to 3.20%. German bunds fell 9 bps to 3.16%.

The Fed is determined to put residential real estate back into working order, but its attempts will be futile. Freddie Mac 30-year fixed rate mortgage rates fell 5 bps to 4.785. the 15-year rates fell 3 bps to 4.29% and one-year ARMs were unchanged at 4.35%. Jumbo 30-year fixed rates fell 5 bps to 5.90%.

Fed credit fell \$1.6 billion to \$2.190 trillion. Fed foreign holdings of Treasury and Agency debt fell \$2.7 billion to \$2.925 trillion. Custody holdings for foreign central banks have risen have risen 18% ytd, and yoy they are up 17.1%.

Total money market fund assets fell \$8.9 billion to \$3.330 trillion. The ytd decline has been 14.5% or \$501 billion, or 10.4% yoy.

Dubai's debt woes may worsen to become a "major sovereign default" that roils developing nations and cuts off capital flows to emerging markets, Bank of America Corp. said.

“One cannot rule out — as a tail risk — a case where this would escalate into a major sovereign default problem, which would then resonate across global emerging markets in the same way that Argentina did in the early 2000s or Russia in the late 1990s,” Bank of America strategists Benoit Anne and Daniel Tenengauzer wrote in a report.

A default would lead to a “sudden stop of capital flows into emerging markets” and be a “major step back” in the recovery from the global financial crisis, they wrote. Two-thirds of small-business owners surveyed last month by Toluna Research at the behest of Angrisani Turnarounds (which specializes in what its name implies) said that they are concerned or extremely concerned about their firms’ surviving for two years. Their fears aren’t unfounded, considering that small-business bankruptcies rose 44% in the third quarter of this year, from the same quarter in 2008, according to Equifax, a credit-reporting agency.

“Our survey data over the last three months concludes that we’re going to be looking at an acceleration of the failure rate,” says Al Angrisani, head of the turnaround firm, who was chief employment advisor to President Ronald Reagan during the last Great Recession, in the early 1980s. Angrisani worries that small businesses not only haven’t seen much benefit from the \$787 billion stimulus plan, but will be further squeezed by rising state and federal taxes, particularly if health-care reform passes. Another survey, by Employers Holdings, a workers’ compensation provider, found that 50% of small business decision makers won’t start hiring again for another six months.

Teacher Retirement System of Texas, the seventh-largest U.S. public pension fund, will invest \$200 million in private equity in Asia, whose economies are leading the world out of a recession.

The US government is financing its more than trillion-dollar-a-year borrowing with i.o.u.’s on terms that seem too good to be true. But that happy situation, aided by ultralow interest rates, may not last much longer. Treasury officials now face a trifecta of headaches: a mountain of new debt, a balloon of short-term borrowings that come due in the months ahead, and interest rates that are sure to climb back to normal as soon as the Federal Reserve decides that the emergency has passed. Even as Treasury officials are racing to lock in today’s low rates by exchanging short-term borrowings for long-term bonds, the government faces a payment shock similar to those that sent legions of overstretched homeowners into default on their mortgages.

With the national debt now topping \$12 trillion, the White House estimates that the government’s tab for servicing the debt will exceed \$700 billion a year in 2019, up from \$202 billion this year, even if annual budget deficits shrink drastically. Other forecasters say the figure could be much higher. In concrete terms, an additional \$500 billion a year in interest expense would total more than the combined federal budgets this year for education, energy, homeland security and the wars in Iraq and Afghanistan. ‘The government is on teaser rates,’ said Robert Bixby, executive director of the Concord Coalition, a nonpartisan group... ‘We’re taking out a huge mortgage right now, but we won’t feel the pain until later.’”

Bank of America Corp., the largest U.S. bank by assets, was sued by BNP Paribas Mortgage Corp. and Deutsche Bank AG over hundreds of millions of dollars in losses they sustained by investing in asset-backed commercial paper. BNP Paribas and Deutsche Bank. They say they bought a total of \$1.6 billion in asset-backed notes issued by a special purpose entity known as Ocala Funding LLC, which provided funding for mortgage loans originated by Taylor, Bean

& Whitaker.

New Jersey, which faces an estimated \$8 billion deficit, saw tax revenue collections fall last month by \$222 million or 11.6% short of projections, the treasurer's office said.

U.S. factory gains cooled a bit in November, but there were few signs the sector was running out of gas and ceasing to be an engine of the U.S. economic recovery.

The Institute for Supply Management reported Tuesday that its index of manufacturing activity for November moved to a reading of 53.6 from 55.7 the month before and 54.2 in September. November's reading was under the 55.0 economists had expected to see.

The ISM data arrive at a time when the U.S. is emerging slowly from its worst recession in decades. Confidence in the recovery has been in part based on the improving performance of the factory sector, which typically leads the economy out of downturns.

"While the rate of growth slowed when compared to October, the signs are still encouraging for continuing growth as both new orders and production are still at very positive levels," said Norbert Ore, who directs the survey.

"The recovery in manufacturing is continuing, but many are still struggling" in the sector, he added. "People discuss whether this is a V-shaped or W-shaped recovery. I think it looks like a V," Ore said.

The report said 12 of 18 industries grew in November. Some respondents in the clothing and food sectors told the private research group they were concerned about the weakness of the dollar. Those in the metal business cited rising demand from automakers, while electronics makers cited a rise in capital construction.

In the report, the ISM found continued improvement throughout the sector. New orders, a gauge of future economic activity, came in at 60.3, indicating improvement from October's 58.5, while inventories continued to shrink, at 41.3, from 46.9 the prior month. Production, meanwhile, came in at a healthy 59.9 after October's 63.3.

Hiring remained a soft area for the factory sector, with the employment index at 50.8, from 53.1 the month before. "The reading above 50 is more a measure of sentiment rather than actual hiring. There is a willingness to hire, but it will be temporary workers," Ore said.

Inflation expanded at a slower pace last month, with the prices index at 55.0, from 65.0 in October.

Spending on construction in the U.S. didn't fall in October as expected, but outlays for the preceding two months were revised far lower.

Spending was unchanged, at a seasonally adjusted annual rate of \$910.77 billion compared to the prior month, the Commerce Department said Tuesday.

Economists surveyed by Dow Jones Newswires estimated outlays would go fall 0.5% in October.

September spending fell 1.6%; originally, Commerce estimated spending that month climbed by 0.8%. August spending dropped 0.9%, revised down from a previously estimated

0.1% decline.

Year over year, spending was 14.4% lower since October 2008.

Spending in October on residential construction projects rose 4.2% to \$258.5 billion. Residential spending fell 1.8% in September, adjusted from an originally reported 3.9% increase. Year over year, residential spending was 23% below the October 2008 level.

Commercial construction slid in October. Non-residential construction spending decreased 1.5%, as outlays fell for hotels, hospitals, and roads. Year over year, spending for commercial construction was down 10.5%. Rising vacancy rates for office space, falling rents, and tight credit conditions are hurting the sector.

Construction spending in the private sector during October increased by 0.3% to \$589.0 billion. Spending fell 3.0% in September.

October public-sector construction spending fell 0.4% to \$321.8 billion. The recession cost municipalities tax revenue. Funds from the economic stimulus approved last winter by the federal government are intended to flow to state and local governments over time, helping build infrastructure and create jobs.

US Pending Home Sales rises 3.7% in October.

National chain store sales rose 5.2% in the four weeks of November versus the previous month, according to Redbook Research's latest indicator of national retail sales released Tuesday.

The rise in the index was compared to a targeted 4.8% gain.

The Johnson Redbook Index also showed seasonally adjusted sales for the period were up 2.6% from last year and compared to a targeted 2.2% increase.

Redbook said, "Gift card sales were slow, perhaps in part due to shoppers preferring cash. Electronics — such as iPods, flat screen televisions and laptop computers — did well. Gross margins continue to be pressured by an increase in markdowns."

The company also gave an initial view into December, saying it sees same-store sales up 2.5% from last year's moribund levels, but down 4% from November. The outlook will be finalized next week.

The International Council of Shopping Centers and Goldman Sachs Retail Chain Store Sales Index fell 0.1% in the week ended Saturday from its level a week before on a seasonally adjusted, comparable-store basis.

On a year-on-year basis, the reading rose 3.1%, down a bit from the prior week's gain, which was the biggest since July 2007.

The group again cut its forecast for November same-store sales growth, this time to 3% to 4% from last week's reduced view of 4% to 6%. "Electronics and online shopping were the big winners during the launch of the post-Thanksgiving holiday season," said ICSC chief economist Michael P. Niemira. "But even as retailers opened their doors on Thanksgiving Day, consumers fell behind last year in their holiday shopping completion rate as consumers

reported an average 42.2% of their shopping completed through the end of November compared with 48.3% during the comparable week of 2008.”

As a result, that hurt November’s sales but should help December. Retailers will give their first glimpse of post-Thanksgiving results later this week when they report November same-store sales.

Pending sales of previously owned U.S. homes rose unexpectedly to their highest level in 3-1/2 years in October, a survey showed on Tuesday, suggesting the housing market recovery was gaining steam.

The National Association of Realtors said its Pending Home Sales Index, based on contracts signed in October, rose 3.7 percent to 114.1, rising for a ninth straight month. This is the longest streak of gains since the series started in 2001.

Analysts polled by Reuters had forecast pending home sales, which lead existing home sales by one to two months, falling 0.8 percent in October after rising to 110 in September.

The Pending Homes Sales Index surged a record 31.8 percent in October from its year-ago period.

The default rate for commercial mortgages in the US climbed to a fresh 16-year high in the third quarter of this year, as the property market continued to struggle under the weight of tight credit and falling rents.

During the third quarter the commercial default rate rose from 2.88 per cent to 3.4 per cent, the highest level since 1993, according to figures set to be released on Tuesday by Real Estate Econometrics, a property research firm. The quarterly increase was the third-highest since 2003 and the default rate has more than doubled in the last year.

“The dramatic decline in real economic activity and labour markets since last September has undercut property fundamentals, increasing the number of recently originated loans that are at risk for delinquency and default because of cash flows falling short of principal and interest obligations,” said Sam Chandan, chief economist at Real Estate Econometrics.

The rising default rate is bad news for banks, which hold more than 80 per cent of maturities on commercial real estate debt over the next two years. According to Real Estate Econometrics, during the latest quarter the total balance of delinquent and defaulted commercial mortgages jumped by 14 per cent to \$50.3bn.

BlackRock Inc. plans to eliminate 89 jobs based in San Francisco by Jan. 8, according to a filing with the California Employment Development Department.

The layoffs represent less than 1 percent of the 9,000- person workforce at the combined company.

It looks like the mess in Dubai will be papered over by Abu Dhabi and the British, European and US central banks. It won’t go away; it will be worked off over a number of years, or that is what the elitists believe. We will have more later.

Treasury estimates of the size of the national debt ignore so-called ‘off balance sheet commitments’, such as Private Finance Initiatives (effectively, hospitals and schools built

with money loaned by the private sector) as well as the massive unfunded government pension liability.

There may be other, hidden, liabilities. After this week's shocking revelation of secret loans of £62 billion made by the Bank of England to the Royal Bank of Scotland and HBOS at the height of the credit crunch, who knows how many other skeletons remain in the Treasury's closet?

It is wise to assume that the true size of Britain's debts could be much bigger than we all think.

Here's the kind of story that we love to discover. It will go largely ignored but has profound implications.

Wall Street's system for determining payments on derivatives linked to the debt of defaulted companies is showing cracks less than a year after securities firms changed practices to avoid "Draconian" regulation.

Credit-default swaps tied to Thomson SA, the Paris-based owner of film processor Technicolor Inc., paid some holders 30 percent less than those with contracts expiring a day later. In Japan, owners of swaps on Aiful Corp. haven't been compensated, though one of its banks said the consumer lender skipped loan repayments. Dealers can't agree whether to reimburse investors in Mexican cement maker Cemex SAB's debt swaps.

Disparities are arising in spite of practices adopted in April and July to standardize settlements and curb risk in a market that exacerbated the worst financial crisis since the 1930s by contributing to the downfall of American International Group Inc. Analysts at Bank of America-Merrill Lynch, Barclays Capital and UniCredit SpA say changes are needed as dealers examine how to interpret existing rules to maintain investor confidence.

"The first cracks are being shown in the protocols," said Edmund Parker, head of derivatives at Chicago-based law firm Mayer Brown LLP in London. The rules are being tested as the global default rate rises.

The thugs at Goldman are loading up on firearms to defend themselves in case there is a populist uprising against the bank and its employees. We have news for them. They do not stand a chance.

Commercial real estate bank loan defaults hit 3.4% and they will supposedly peak at 5.3%. CMBS defaults reached 4.01% in October and defaults could top 8% in 2010.

The Dubai situation will blow over during the next few years. They'll be bigger fish soon, such as Greece.

US private employers shed 169,000 jobs in November, fewer than the 195,000 jobs lost in October, a report by a private employment service said on Wednesday.

The October fall was originally reported at 203,000.

The median of estimates from 30 economists surveyed by Reuters for the ADP Employer Services report, jointly developed with Macroeconomic Advisers LLC, was for decline of 155,000 private-sector jobs last month.

Far from viewing the past as a potential source of wisdom and insight, political regimes have a habit of employing history as an ideological weapon, to be distorted and manipulated in the service of present-day ambitions. That's what Winston Churchill meant when he described the history of the Soviet Union as "unpredictable."

The conventional wisdom holds that in the absence of government countercyclical policy, whether fiscal or monetary (or both), we cannot expect economic recovery — at least, not without an intolerably long delay. Yet the very opposite policies were followed during the depression of 1920–1921, and recovery was in fact not long in coming.

The economic situation in 1920 was grim. By that year unemployment had jumped from 4 percent to nearly 12 percent, and GNP declined 17 percent. No wonder, then, that Secretary of Commerce Herbert Hoover — falsely characterized as a supporter of laissez-faire economics — urged President Harding to consider an array of interventions to turn the economy around. Hoover was ignored.

Instead of "fiscal stimulus," Harding cut the government's budget nearly in half between 1920 and 1922. The rest of Harding's approach was equally laissez-faire. Tax rates were slashed for all income groups. The national debt was reduced by one-third.

The Federal Reserve's activity, moreover, was hardly noticeable. As one economic historian puts it, "Despite the severity of the contraction, the Fed did not move to use its powers to turn the money supply around and fight the contraction." [2] By the late summer of 1921, signs of recovery were already visible. The following year, unemployment was back down to 6.7% and it was only 2.4% by 1923.

Workers who want to report they've been underpaid or mistreated on the job are getting stronger protection against retaliation by their employers under a new state law that goes into effect this week.

The law toughens penalties for employers who go after workers who report violations to the state Department of Labor. The minimum civil penalty against employers has increased from \$200 to \$2,000. The maximum increases from \$1,000 to \$10,000.

That bolsters state law that has long prohibited employers from firing, demoting, reassigning, or cutting the pay of a worker who files a complaint.

The Labor Department said it had many reports of worker retaliation in the past two years. In one example, three restaurant workers on Long Island were fired for complaining to the agency about making less than minimum wage, and a backstretch worker at the Saratoga Race Course was denied a job he was promised because of his role in the department's investigation of the racing industry.

The department said it collected and paid \$24.6 million in 2008 to more than 17,000 workers affected by labor law violations.

Retail sales on Black Friday and the weekend after Thanksgiving advanced 0.5 percent as discounts on electronics and toys drew budget-conscious crowds, according to the National Retail Federation.

Spending rose to \$41.2 billion from \$41 billion a year earlier, the trade group said yesterday, citing a survey conducted by BIGresearch. Yet the retail federation said it is sticking to a

forecast for spending to fall 1 percent this season. More people visited stores and websites, but the average shopper spent \$343.31, less than \$372.57 a year ago, the federation said.

“Shoppers proved this weekend that they were willing to open their wallets for a bargain,” said Tracy Mullin, the group’s chief executive. “While retailers are encouraged by the number of Americans who shopped over Black Friday weekend, they know they have their work cut out for them to keep people coming back through Christmas.”

Wal-Mart Stores Inc., the world’s largest retailer, attracted consumers with \$298 Hewlett-Packard laptop computers and other specials that went on sale at 5 a.m. Best Buy Inc., the biggest electronics chain, used \$547.99 42-inch Samsung flat-panel TVs to lure shoppers grappling with the highest unemployment in 26 years. The retailer had bigger early-morning crowds than last year, chief executive Brian Dunn said.

The number of shoppers at stores and on websites over the holiday weekend rose to 195 million from 172 million a year earlier, according to the federation.

Average spending declined, though, as prices for flat-screen televisions dropped and retailers offered a more items at unprofitable prices to lure shoppers, said Scott Krugman, a spokesman for the federation.

The day after Thanksgiving, known as Black Friday, is considered the traditional kickoff to the holiday shopping season. Sales for the day also rose by 0.5 percent, to \$10.7 billion, the Chicago-based research firm ShopperTrak RCT Corp. said.

Liberty Media Corp.’s QVC shopping channel said it had more than \$32 million in sales on Nov. 27, its best-ever Black Friday and a 60 percent increase from last year.

Holiday sales typically make up a third or more of retailers’ annual profit. The International Council of Shopping Centers predicted sales at stores open at least a year will advance 1 percent in November and December after a year-earlier 5.8 percent decline, the worst in 40 years.

Wal-Mart kept stores open all night so shoppers could grab items when they went on sale at 5 a.m. The world’s largest retailer cut some toy prices to \$5.

At the Macy’s store in New York’s Herald Square, traffic appeared to be greater than a year ago, chief executive Terry Lundgren said. Housewares and jewelry were selling briskly, he said.

The 10 major cities in the Standard & Poor’s/Case-Shiller home price index have risen 5% from their April low, but the index is still predicting a massive 45% fall from today’s values.

Tuesday’s new number from the index showed a gain of just under .5% for the month of September, but the index remains 30% below the high in June 2006. Based upon a trend generated from the actual prices of 1987 to 1997, and generated forward in a linear projection, the index will fall a total of 62% before it reaches the trend norm.

A more comprehensive analysis of the 10-city index based upon a 120 years of data shows current values off 36% and a comparatively modest 20% fall ahead.

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