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Financial Crisis: US Market Trends

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Planned job cuts by US employers fell to 76,456 in August, down 21% from 97,373 in July says, Challenger, Gray & Christmas. Although job cuts slowed they are up 1.07 million from January through August – 60% higher yoy.

The Inspector General has found the SEC incompetent, but not corrupt. We disagree – the SEC is corrupt, particularly in the Madoff scam. The current SEC Madoff probe is another scam. Money has yet to be found in any substantial amounts. The Fed, the NY fed and the Treasury know where all the money went and that is to offshore havens and Israel. That means high-ranking members of the SEC were in on it. We have not heard the end of this yet, and the results will be shocking.

James Traficant, former Ohio representative, walked out of a Minnesota prison yesterday morning after serving a seven-year sentence for bribery and racketeering.

Federal prosecutors hit Pfizer Inc. with a record-breaking $2.3 billion in fines yesterday and called the world's largest drug maker a repeating corporate cheat for illegal drug promotions that plied doctors with free golf, massages, and resort junkets.

Announcing the penalty as a warning to all drug manufacturers, Justice Department officials said the overall settlement is the largest ever paid by a drug company for alleged violations of federal drug rules, and the $1.2 billion criminal fine is the largest ever in any US criminal case. The total includes $1 billion in civil penalties and a $100 million criminal forfeiture.

Drug maker Schering-Plough Corp. has been denied a $473 million tax refund by a federal judge who ruled the company made two transactions just to avoid paying taxes on $690 million in profits from overseas subsidiaries.

The money was repatriated, or brought back into the United States. However, US District Judge Katherine S. Hayden in Newark, N.J., found Schering-Plough owed taxes on it, the Justice Department said in a statement yesterday.

A spokesman said Schering-Plough is considering an appeal.

The transactions, which occurred in 1991 and 1992, involved interest rate swap agreements created by Merrill Lynch, financial adviser to Schering-Plough, a maker of hepatitis treatments and allergy drugs including Nasonex and Clarinex.

"The transactions were designed to bring previously untaxed profits made by Schering-Plough's foreign subsidiaries into the United States without paying the tax owed on

repatriation,’’ the statement said.

It said the court found “the transactions lacked economic substance, did not have a genuine business purpose, and were designed to avoid tax.’’

Samsonite Co. Stores, the US retail division of luggage-maker Samsonite Corp., sought bankruptcy protection from creditors, citing a decline in demand for travel gear.

The company, based in Mansfield, Mass., yesterday listed $233 million in assets and $1.5 billion in debts as of July 31 in US Bankruptcy Court in Wilmington, Del.

“The recession has caused a severe decline in consumers purchasing travel-related goods and the company has responded to this critical situation with a substantial restructuring,’’ Kyle Gendreau, Samsonite’s chief financial officer, said in a statement.

American Airlines is cutting 921 flight attendant jobs as it deals with an ongoing downturn in traffic and lower revenue.

The airline said Tuesday that the cuts will take effect Oct. 1.

Retailers on Thursday posted sales declines for August as shoppers held back on back-to-school purchases and continued to focus on necessities, but overall results came in ahead of analyst predictions.

A monthly compilation of 31 retailers’ results by The International Council of Shopping Centers and Goldman Sachs showed sales in established stores fell 2.1 percent in August compared with the same month in 2008. That was better than the 3.5 percent to 4 percent drop expected.

About half of the 30 retailers reporting August results missed expectations, but half topped them, according to a poll by Thomson Reuters. The winners were mainly discounters, but declines were less than expected in the specialty apparel and department store sectors as well.

The U.S. non-manufacturing sector showed some improvement in August but was still contracting, according to data released Thursday by the Institute for Supply Management, a private research group. Prices, however, took their biggest monthly jump on record, thanks to higher energy costs.

The ISM’s non-manufacturing purchasing managers’ index rose to 48.4 last month, from 46.4 in July. August’s reading was slightly above the 48.0 expected by forecasters surveyed by Dow Jones Newswires. Readings under 50 indicate contracting activity.

“Respondents’ comments are mixed about business conditions and the overall economy; however, there is an increase in comments indicating that there are signs of improvement going forward,” said Anthony Nieves, who oversees the survey for the ISM.

The ISM said its August business activity/production index jumped 5.2 points to 51.3 last month, from 46.1 in July. The new-orders index rose to 49.9 from 48.1 in July.

The ISM report is comprised mainly of comments from service-sector companies that make up the bulk of the U.S. economy. It follows Tuesday’s ISM report on manufacturing

that showed an expansion in the factory sector, led by a large jump in new orders.

Nieves said it wasn't unusual for the factory sector to lead into recovery before the service sector. Regarding non-manufacturing, he said, "We are getting to a sideways leveling-off and well break 50," probably in autumn.

Thursday's data on the non-manufacturing side of the economy reinforces the idea that the U.S. economy is on the mend, but obstacles remain, especially on the labor front.

The employment index improved, with the August index at 43.5, from 41.5 in July.

The number of U.S. workers filing new claims for jobless benefits declined as expected last week but remains at an elevated level, suggesting that the labor market is improving but at a very sluggish pace.

Meanwhile, total claims lasting more than one week rose.

Initial claims for jobless benefits fell 4,000 to a 570,000 in the week ended Aug. 29, the Labor Department said in its weekly report Thursday.

Bankruptcy filings by U.S. consumers rose 24 percent in August compared with a year earlier and could reach 1.4 million this year, according to an American Bankruptcy Institute and National Bankruptcy Research Center report released on Wednesday.

Despite the spike, consumer bankruptcy filings last month were down 5 percent from July.

The August bankruptcies brought the 2009 number to 922,000.

In 2008, a total of 1.1 million consumers filed for bankruptcy, according to ABI.

Reform of banking will once more top the agenda for finance ministers meeting in London on Thursday, ahead of the main gathering of G20 political leaders in Pittsburgh later this month.

…the most eloquent solution to the problem, which like an elephant in the room has from the start been staring everyone in the face, will again go virtually ignored.

This is that the banking system be broken up, with a clear separation established between, on the one hand, plain vanilla deposit taking and commercial banking – backed by deposit insurance, access to central banking lender of last resort facilities and the implicit guarantee of taxpayers – and on the other the leveraged "casino"-like activity of investment and international banking which should enjoy none of these safety nets.

John Williams offers an explanation that might account for gold's uptick. First, growth in broad money supply has continued to falter… weekly reports by the Fed have shown the major M3 components (all seasonally adjusted) of M2, institutional money funds and large time deposits to be in general decline, suggesting that August will show a second consecutive monthly decline — at an accelerating pace — and that year-to-year growth is likely to slow from July's level of 5.2% to something closer to 4% in August. Beyond being a negative for the economy, in the ongoing systemic solvency crisis, slowing broad money growth often has signaled rising systemic stress, foreshadowing intensification in the crisis

that in turn has led to Federal Reserve or Treasury response.

Second, the seasonally-adjusted St. Louis Fed's adjusted monetary base surged by 5.5% in the two weeks ended August 26th, versus the prior two-week period. The latest level is the highest in nearly three months and is 3.8% shy of the record high set in the two-week period ended May 20th. Year-to- year growth jumped to 102.0% in the latest reporting period, versus 91.8% in the prior one. The monetary base remains the Fed's primary tool for targeting money supply, but it hasproven to be of limited impact in boosting money growth, where banks have been leaving their cash with the Fed instead of lending into the normal stream of commerce. Nonetheless, the Fed appears to be pushing here, with consumer and business credit extremely constrained.

John also notes: Conversations with individuals at both the Bureau of Labor Statistics and the Bureau of Economic Analysis (the BEA has published a notice), indicate that both the consumer price index (CPI) and the personal consumption(PCE) deflator will reflect new car prices net of the cash-for-clunkers rebates. As a result, lower inflation than would have been seen otherwise is in the works for August. The treatment here seems to be unusual, where automobile dealers are not cutting their profits by offering an added discount. The cars are being sold by dealers at regular prices, it is just that part of the cost of the automobile — up to $4,500 — is being paid for by a third party: U.S. taxpayers. http://www.shadowstats.com/

Large businesses, defined as those with 500 or more workers, saw employment decline by 60,000, while medium-size businesses with between 50 and 499 workers declined 116,000.

Employment among small-size businesses, defined as those with fewer than 50 workers, declined 122,000. Since reaching peak employment in January 2008, small-size businesses have shed nearly 2.5 million jobs.

In August, construction employment dropped 73,000. This was its thirty-first consecutive monthly decline, and brings the total decline in construction jobs since the peak in January 2007 to 1,562,000.

ADP counts 2.5 million small biz job losses since January 2008. For the same period, the BLS's Net Birth/Death Model, which is supposed to account for small biz job losses and gains, shows 1.507 million job gains. The difference is over 4 million jobs, which is substantial economically.

Women are on the verge of outnumbering men in the workforce for the first time, a historic reversal caused by long-term changes in women's roles and massive job losses for men during this recession. Women held 49.83% of the nation's 132 million jobs in June and they're gaining the vast majority of jobs in the few sectors of the economy that are growing, according to the most recent numbers available from the Bureau of Labor Statistics.

Through June, men have lost 74% of the 6.4 million jobs erased since the recession began in December 2007. Men have lost more than 3 million jobs in construction and manufacturing alone.

As shares of bailed-out banks bottomed out earlier this year, stock options were awarded to their top executives, setting them up for millions of dollars in profit as prices rebounded,

according to a report released on Wednesday.

The top five executives at 10 financial institutions that took some of the biggest taxpayer bailouts have seen a combined increase in the value of their stock options of nearly $90 million, the report by the Washington-based Institute for Policy Studies said.

"Not only are these executives not hurting very much from the crisis, but they might get big windfalls because of the surge in the value of some of their shares," said Sarah Anderson, lead author of the report, "America's Bailout Barons," the 16th in an annual series on executive excess.

The report which highlights executive compensation at such firms as Goldman Sachs Group Inc, JPMorgan Chase & Co, Morgan Stanley, Bank of America Corp and Citigroup Inc — comes at a time when Wall Street is facing criticism for failing to scale back outsized bonuses after borrowing billions from taxpayers amid last year's financial crisis. Goldman, JPMorgan and Morgan Stanley have paid back the money they borrowed, but Bank of America and Citigroup are still in the U.S. Treasury's program.

Productivity accelerated in the second quarter to post its biggest gain in nearly six years, proof that businesses plowed through the economic downturn by slashing jobs and cutting workers' hours.

Despite a steep decline in output, non-farm business productivity rose 6.6% at an annual rate last quarter, the most since the third quarter of 2003, the Labor Department said in revised figures released Wednesday. That was slightly higher than the first estimate of a 6.4% rise and a bit higher than what Wall Street had expected.

Economists surveyed by Dow Jones Newswires had predicted a 6.5% gain.

Productivity, which is defined as output per hour worked, rose 0.3% in the spring. That was unchanged from the preliminary report released last month.

Unit labor costs – a key gauge of inflationary pressures – fell 5.9% last quarter at an annual rate. The Labor Department said the decline was due entirely to the increase in productivity. Hourly compensation increased slightly, it said. Economists had expected a 5.8% decline. Unit labor costs were down 1.2% from a year ago, an indication that disinflationary pressures remain. First-quarter unit labor costs were revised to negative 5% from negative 2.7%.

Over the long run, productivity is key to improved living standards by spurring rising output, employment, incomes and asset values. While the jump in productivity could suggest that the economy is poised for a strong recovery once it reaches bottom, that could be offset by the negative impact on consumer demand from job losses.

Labor market conditions are expected to remain difficult. The August employment report could show a jump in the unemployment rate, despite a 0.1 percentage point decline in July to 9.4%.

Still, the economy has shown signs of stabilization, with gross domestic product registering a smaller-than-expected 1% contraction in the second quarter and the housing market showing signs of recovery.

Non-farm business output fell a revised 1.5% during the second quarter, at an annual rate, the Labor Department said Tuesday. Previously, the Labor Department reported a 1.7% drop. The first-quarter output drop in the first quarter of the year was left unchanged at 8.8%.

The smaller output decline could be a positive sign for the labor market, although analysts still predict that it will take some time before the market sees a major improvement.

Factory goods climbed a fourth straight month during July, giving another indication the recession in the manufacturing sector might have ended.

Orders for manufactured goods rose 1.3%, the Commerce Department said Wednesday, a day after a key report indicated the factory sector has resumed expanding. Yet the 1.3% gain fell short of forecasts on Wall Street, which had expected a 2.3% increase.

Unfilled orders, a sign of future demand, didn't rise – but didn't fall, either, turning in a flat reading after a long string of declines. Shipments of all factory goods were flat in July.

Non-defense capital goods orders excluding aircraft dipped 0.3% during July after surging 3.8% in June. These orders are seen as a barometer of capital spending.

Durable goods rose even more than first thought, up 5.1%. Last week, a preliminary estimate said durables rose 4.9%. Durables are expensive goods made to last at least three years, such as cars. Non-durables fell 1.9%, perhaps reflecting sliding energy prices.

On Tuesday, the Institute for Supply Management reported its manufacturing index for August moved to 52.9, from 48.9 in July and 44.8 in June. Numbers above 50 indicate factory sector growth. The last time a reading topped 50 was January 2008. Some analysts considered the reading Tuesday a confirmation the recession in manufacturing was over.

Factories should start humming when companies begin restocking after the deep inventory liquidation brought on by the long economic slump.

But Wednesday's data showed manufacturers' inventories in July fell an 11th month in a row, down 0.7%.

The 1.3% gain in factory orders overall during July marked a fourth straight increase. Overall June orders climbed 0.9%, revised from a previously estimated 0.4% increase.

By industry, July orders for transportation-related factory goods soared 18.5%, after an 11.9% drop in June. There were surges in commercial aircraft and maritime vessel orders. Excluding the transportation sector, July factory orders fell 0.7%. Ex-transportation orders in June rose 2.7%. Capital goods rose 9.7% in July.

Non-defense capital goods climbed 8.6%. These include business equipment meant to last 10 years or more.

Defense capital goods soared 16.4%. Defense capital goods industries include, among others, communications equipment, aircraft, and missiles.

Excluding the defense sector, all other factory orders climbed 0.9% in July, after rising 1.9% in June.

Orders increased in July by 2.7% for primary metals, 5.3% for electrical equipment, 3.0% for fabricated metals, and 1.9% for computers.

In another sign of the recession's end, businesses are laying off fewer workers. Private-sector jobs in the U.S. fell 298,000 in August, according to a national employment report published Wednesday by payroll giant Automatic Data Processing Inc. (ADP) and consultancy Macroeconomic Advisers.

The ADP loss is worse than the 213,000 drop projected by economists in a Dow Jones Newswires survey.

The ADP survey tallies only private-sector jobs, while the Bureau of Labor Statistics' non-farm payroll data, to be released Friday, includes government workers. Economists surveyed by Dow Jones Newswires expect the BLS will report August job cuts totaling 233,000. While still large, the loss would be down from 247,000 reported in July. The August unemployment rate is projected to rise to 9.5% after it unexpectedly slipped to 9.4% in July.

The ADP report said the July job number was revised by 11,000, from an originally reported drop of 371,000 to a decline of 360,000.

Companies cut more jobs than forecast in August and boosted their workers' productivity the most since 2003 in the second quarter, signaling employers are seeking to cut costs further even as the economy stabilizes.

A survey by ADP Employer Services showed businesses reduced payrolls by 298,000 after a 360,000 decline in July. The Labor Department in Washington said productivity, a measure of employee output per hour, rose at a 6.6 percent annual rate in the three months through June.

Massive Job Losses Lead to Big Drops in Wages and Savings: Wages Fall 4.1% Year-over-Year in August, and M2 Savings Drops Record $94.6 Billion in Past Three Months SAUSALITO, TrimTabs Investment Research estimates that the U.S. economy lost 335,000 jobs in August, which is nearly 50% more than the current consensus estimate of 225,000 jobs lost. In the past twelve months, the U.S. economy has lost 5.9 million jobs, the largest annual job loss in records dating back to 1970.

A full year has passed since AIG and Lehman Brothers collapsed, yet there is no end in sight to massive job losses, said Charles Biderman, CEO of TrimTabs. The economy lost at least 300,000 jobs in each of the past 12 months.

TrimTabs' employment estimates are based on analysis of daily income tax deposits to the U.S. Treasury from all salaried U.S. employees. Historically, TrimTabs' employment estimates have been more accurate than those of the Bureau of Labor Statistics.

In a research note, TrimTabs explained that large job losses are contributing to huge declines in wages and savings. Based on daily tax deposits to the U.S. Treasury, wages plummeted 4.1% year-over-year in August, matching the decline in Q2 2009.

TrimTabs also pointed out that M2 savings which consists of bank savings, small-denomination certificates of deposit, and retail money market funds dropped $94.6 billion in the past three months, the largest three-month decline on record.

Consumers are yanking record amounts of money out of savings vehicles as they cope with the worst economic slump since the 1930s, noted Biderman. The report from the Bureau of Economic Analysis that the savings rate was 4.2% in July is dead wrong.

TrimTabs explained that massive defaults on mortgages are spreading to commercial real estate loans, credit cards, and commercial and industrial loans, dashing widespread hopes for a quick economic rebound.

While many investors are convinced the recession is over, real-time indicators show the economy has not yet bottomed, let alone started to recover, said Biderman.

Shoppers are focusing on deals and limiting buying mainly to necessities, based on August sales estimates that herald another tough holiday season for beleaguered retailers.

Despite sales tax holidays in several states designed to spur sales, back-to-school spending remains lackluster, according to industry experts. Retailers' recent efforts to shake customers from deep discounts and spur buying by tightly controlling inventories are fizzling.

Now, retailers that traditionally rely on back-to-school sales as an barometer of demand for the remainder of the year face tough choices on stocking and hiring. Customers should find ever slimmer pickings and fewer clerks as stores hold.

Mortgage bankers are pushing Congress to expand the U.S. government's support of the market by guaranteeing private-industry home-loan securities and replacing finance companies Fannie Mae and Freddie Mac.

The first step builds off the model for Ginnie Mae, the agency that guarantees payments on bonds backed by government- insured mortgages, according to a report today by the Washington-based Mortgage Bankers Association. The second part involves winding down government-seized mortgage buyers Fannie Mae and Freddie Mac and creating "two or three" new privately funded, government-chartered companies to back individual loans.

"We wanted to put forth a structure we think that has elements in it that respond to a lot of the discussion and debate on Capitol Hill," Mortgage Bankers Association President John Courson said in an interview.

Putting the "full faith and credit" of the U.S. Treasury behind a portion of the $1.8 trillion non-agency mortgage market would help boost a once-dominant form of home-loan financing that almost collapsed in 2007 as delinquencies rose. The association, which represents about 2,400 lenders, mortgage brokers, commercial banks, thrifts and other companies, said the importance of housing to the U.S. "economic and social fabric" warrants a federal government role in mortgage liquidity.

As of March this year, contractors made up 57 percent of the Pentagon's force in Afghanistan, and if the figure is averaged over the past two years, it is 65 percent, according to the report by the Congressional Research Service.

The Federal Housing Administration is in danger of seeing its reserves fall below the 2 percent threshold mandated by Congress, as it reels from ever-increasing mortgage-based losses — and may require a taxpayer bailout.

The FHA's reserve fund was equal to about 3 percent of its loans issued last year, down from 5.4 percent a year ago.

Options for the agency, part of the US Department of Housing and Urban Development, could include getting taxpayer funds to top off its reserves, or increasing the premiums borrowers pay for insurance from the agency.

The FHA insures private lenders against defaults on certain home mortgages. Outstanding FHA-backed loans totaled $429 billion in fiscal 2008, and are projected to reach $627 billion this year.

Rising defaults have hit the FHA's reserves hard. According to the Mortgage Bankers Association, at the end of the second quarter, 7.8 percent of the FHA's loans were 90 days late or more, or in foreclosure — roughly equal to the national average, but up from 5.4 percent a year ago.

[This is an extremely important legal challenge. Finally we are going to see how the rating services collaborated with banks and brokerage firms to produce bogus triple A ratings for toxic garbage.] McGraw-Hill Cos., the owner of Standard & Poor's, dropped the most in nine months and Moody's Corp. also fell after a US judge refused to dismiss a lawsuit against the rating companies.

US District Judge Shira Scheindlin in New York rejected the firms' arguments that investors can't sue over deceptive ratings of private-placement notes because those opinions are protected by free-speech rights.

The decision forces S&P, Moody's and Morgan Stanley, which was also sued, to respond to fraud charges in a class-action by investors claiming the raters hid the risks of securities linked to subprime mortgages. Defaults on the debt ignited a credit crisis that has led to more than $1.6 trillion in writedowns and losses since the start of 2007.

Once again, most pundits and the usual suspects are missing germane information in an ISM Survey. The Prices Index component of the ISM Non-Manufacturing Survey "increased 21.8 percentage points to 63.1 percent in August, indicating a substantial increase in prices paid from July."

This is the largest m/m jump in ISM history and the survey is still contracting! The ISM Manufacturing Prices Paid made a similar jump. Can you say 'inflationary recession or worse'?

Now the usual suspects are blaming seasonal adjustments for making Jobless Claims worse than expected.

We've been warning that seasonal adjusting has perverted economic data over the past few months but now the need to 'square up' the data will produce worse data than expected.

Jobs and income growth is the name of the recovery game; and there is no sign of a meaningful rally.

And after trillions of dollars in stimulus, safety nets, nationalizations and market rigs, the best that can be said is things are 'less bad'.

Nearly a year after Fannie Mae and Freddie Mac were seized by the Federal Government, the fate of the government-sponsored enterprises seems less certain than ever.

The conservatorship was supposed to turn Fannie and Freddie around while reviving shattered mortgage markets. Instead, it has fueled uncertainty about the future of the secondary market, cost the taxpayers billions and raised concerns about a perpetual government ownership.

“What’s amazing to me is we’re not having any discussion about what Fannie and Freddie should be when they come out of conservatorship,” said Joe Murin, the managing director of the Collingwood Group, who stepped down as the chief executive of Ginnie Mae last month.

At the same time, the GSEs’ drain on the government continues to grow. The Federal Reserve Board has purchased $624.4 billion out of a potential $1.25 trillion in mortgage-backed securities from the GSEs. On top of that, the Treasury Department has invested $36.9 billion in capital at Freddie so far this year and $34.2 billion at Fannie, with another $10.7 billion on the way by the end of the month.

The Federal Housing Administration, hit by increasing mortgage-related losses, is in danger of seeing its reserves fall below the level demanded by Congress, according to government officials, in a development that could raise concerns about whether the agency needs a taxpayer bailout…

Rising defaults have eaten through the FHA’s cash cushion. Some 7.8% of FHA loans at the end of the second quarter were 90 days late or more, or in foreclosure, according to the Mortgage Bankers Association, a figure roughly equal to the national average for all loans. That’s up from 5.4% a year ago.

For example, the government`s press release reported that the program took 690,114 “clunkers” off the road. However, Edmunds.com`s experts tracking the program report that “clunker” trade-ins never accounted for more than 33.4 percent of weekly sales.

“It is mathematically impossible for there to have been nearly 700,000 new car sales during the course of the program, given the actual sales numbers announced by automakers who should have no motive to under-report,” remarks Edmunds.com Senior Statistician Zhenwei Zhou, PhD. “The prominence of that number in the media does help to explain why some analysts` sales forecasts were way too high.”

According to an executive summary of a report released yesterday by the Securities and Exchange Commission’s inspector general, Mr. Madoff told SEC examiners in 2005 that he was “on the short list” to become the next SEC chairman, replacing outgoing chairman William Donaldson.

The report said that throughout a 2005 examination of his firm, “Bernard Madoff would drop the names of high-up people in the SEC” to SEC examiners.

When examiners in the SEC’s Northeast regional office complained to their assistant director about not getting cooperation from Mr. Madoff, “they received no support and were actively discouraged from forcing the issue,” the IG report said.

When the Northeast regional staff inquired about a similar exam that had been performed earlier by the Washington staff, a senior-level Washington examiner told junior-level examiners in the Northeast office that Mr. Madoff "was a very well-connected, powerful, person," the report said.

Job losses softened last month but the unemployment rate soared to its highest level in 26 years, proving that it will take some time for the ailing labor market to recover from the worst financial crisis in decades.

Nonfarm payrolls declined 216,000 in August, the Labor Department said Friday.

The drop is smaller than the 233,000 decline economists in a Dow Jones Newswires survey had expected.

Even though the loss is large by historical standards, it's an improvement; monthly job cuts earlier in the year totaled as much as 700,000.

Still, the unemployment rate, calculated using a survey of households as opposed to companies, grew to 9.7% – the highest level since June 1983 when the rate was 10.1%. The unemployment rate was under 6% less than one year ago.

The U.S. economy faces a "significant chance" of contracting again after emerging from its worst recession since the 1930s, Nobel Prize-winning economist Joseph Stiglitz said.

It's not clear that the U.S. is recovering in a sustainable way, Stiglitz, a Columbia University professor, told reporters yesterday in New York.

Economists and policy makers are expressing concern about the strength of a projected economic recovery, with Treasury Secretary Timothy Geithner saying two days ago that it's too soon to remove government measures aimed at boosting growth.

Stiglitz said he sees two scenarios for the world's largest economy in coming months. One is a period of "malaise," in which consumption lags and private investment is slow to accelerate. The other is a rebound fueled by government stimulus that's followed by an abrupt downturn — an occurrence that economists call a "W-shaped' recovery.

There's a significant chance of a W, but I don't think it's inevitable," he said. The economy "could just bounce along the bottom."

Stiglitz said it's difficult to predict the economy's trajectory because "we really are in a different world." He said the crisis of the past year was made worse by lax regulation that allowed some financial firms to grow so large that the system couldn't handle a failure of any of them.

More than 35 million Americans received food stamps in June, up 22 percent from June 2008 and a new record as the country continued to grapple with the worst recession since the Great Depression of the 1930s.

The food stamp program, which helps cover the cost of groceries for one in nine Americans, has grown in step with the U.S. unemployment rate which stood at 9.4 percent in July.

The Labor Department will release August employment figures on Friday.

June was the seventh straight month in which food stamp rolls set a record. The average benefit in June was $133.12 per person.

The Economic Cycle Research anticipating cyclical swings in the rate of inflation rose to 89.6 in august from 84.6 in July. It rose from a 61-month low in March to a 10-month high. The US FIG annualized growth rate, which smoothes out monthly fluctuations, shot higher to 6.5% from a negative 8.8% in July.

Prime borrowers are falling behind on mortgage and credit card payments at a faster pace then subprimes. The total mortgage delinquency rate was a record 9.24% in the second quarter. Prime delinquencies were up 5.8% versus 1.8% for subprimes.

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