Is the 6-month Stock Market Rally About to End?.

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The G-20 Pittsburg Summit ended last Friday. Their official statements made for some novel and interesting reading.

We were informed that the group could by working together could manage a transition to a more balanced pattern of global growth. Tending to domestic demand as private savings increase. It is obvious to us this cannot work. We are seeing increased savings and decreased consumption. The IMF as well agrees with these policies. We cannot recall that the IMF has made a correct decision over the past 50 years. The group gushed forth the same platitudes we've heard for years. The shared understanding and deepened dialogue that produces no solutions, only more power and wealth for the entrenched elite.

We were treated to the never-ending story of rising living standards in emerging markets and developing countries as North American and European economies go into the economic and financial tank. This is to be achieved by balancing current accounts and the support of continued free trade. This would, of course, would be aided by the lack of tariffs and the continued use of slave labor from the third and second worlds as transnational conglomerates get richer by parking their profits in tax havens.

There would be centralized monetary policy and price fixing along with structural reforms to implant more socialistic policies. These policies would end sovereignty, as we have known it.

Needless to say magically members with sustained, significant external deficits will end them and foster savings. We wonder if they ever considered that if everyone saves less buying will be done. There was the call to increase investment, but why would corporations do that in the reality of decreased demand, 67% of capacity utilization and massive idle capacity worldwide, particularly in China. These policies would dramatically affect China whose world exports have already fallen 40%.

If this is the result of this 2-day sideshow it accomplished nothing and little will change. It is just more smoke and mirrors.

The US in a scramble to fight off a deflationary depression is doing just the opposite. Trillion-dollar a year fiscal shortfalls for as far as the eye can see, accompanied by wars upon wars. Government spending accounts for 25% of GDP; the same as we experienced in WWII We have Fannie Mae, Freddie Mac, Ginnie Mae and FHA all bankrupt. Government is not only financing homes, but also companies, cars, Wall Street, banks and insurance companies. Taxpayers own 60% of GM and 80% of AIG, both of which are bound to fail. Under TARP government owns the banking system, most of which is insolvent. They all survive for now with government guarantees. We did not hear these problems being addressed at the G-20 meeting. All we saw was police and military beating innocent people or the use of tear gas, rubber bullets and sound cannons on innocent demonstrators some 20 and 30 blocks away from the downtown meeting area. Your Gestapo goons at work.

Yes, too big to fail is still in vogue, just as it was in the 1930s. The Illuminati still does as it pleases, will continue to do so until we stop them. The past and current solution is taxpayer finance to just keep them in business. This cannot succeed because government is too big, irresponsible and incompetent to succeed in this venture. This is not temporary. It is impossible to unwind. It will continue indefinitely as corporatist fascism until the edifice collapses. The elitists cannot step back and let the economy function on its own. If they do it will collapse. This time they have gone too far. It is going to take the elitists and everyone else down with it. The solution should have been used in 1990, but that didn't interest the elitists. It will never be safe to do what these people have done. There is no easy way out. No two-year depression. A long drawn out depression is the best that can be expected, although at the rate the shadow government is progressing in the Middle East we could end up in a nuclear war. Zero interest rates cannot work. All they do is foster financial asset speculation. That means failure for many and loans that will never be paid back. Just look at the horrendous numbers in the last issue of corporate loans gone bad. The banks are buried in these nonperforming assets. That means more taxpayer funds to keep the banks solvent. The elitists and our government are running amok. There are no controls. That in part is why the President and House and Senate have plunging approval ratings. Last week's hearings in the House on HR 1207 were pathetic. Rep. Grayson destroyed the attorney for the Fed. It was legal disembowelment. We had best get HR 1207 and SB 604 or government could be facing all out revolution. 66% of Americans want the Fed audited and investigated. This is an extremely high figure considering what the Fed does is difficult for most people to understand. Our guess is that Americans are tired of seeing their savings dwindle and their wages and buying power fall.

In July, Americans cut outstanding credit by almost $22 billion. This brings us back to the stupidity of the G-20 announcing that savings must increase and at the same time consumption as well. They must think we are dumb. This is the biggest cutback in credit usage in over 66 years. Economists projected a reduction of $4 billion just to show you how wrong they continue to be.

Cash for Clunkers may have increased borrowing and consumption in the third quarter, but we ask in January what will GDP look like? Will the government falsify the statistics again? Of course, they will.

The stock market is up because of massive liquidity injections as corporate insiders sell their shares on a 30 to 1 basis. This is absurd, there is no recovery only a flattering out which will stretch into the next election. After that its just more stimulus and money and credit injections accompanied by hyperinflation. At the height of that inflation 1-1/2 to 2 years from now the dollar will be officially devalued and default will take place. These events will bring much higher gold and silver prices. As long as the dollar depreciates gold will move higher. In order to create a false stimulation of the economy the elitists have sacrificed the value of the dollar and the conclusion will be that they are going to lose control of their suppression of the gold market. From here on out the situation will become desperate for the elitists. They either increase money and credit, which is presently over 20%, the banks start increasing lending, or there is a $2 trillion stimulus. The big five money center banks will need massively more funding otherwise they will fail and take 75% of American depositors with them in a world of little if no insurance. Why do you think corporate America is bailing out of their shares? They have no confidence in the economy. In addition the invasions of Afghanistan and Pakistan will bring an end of the American empire. It is simply no longer affordable.

What is going to happen next is that the 6-month stock rally is about to end. It took everything the Fed could muster to accomplish this. As the market heads lower government, Wall Street and banking will have to contend with irate shareholders and retirees as well as owners of stock, life cash value insurance policies and annuities. This time when the market falls it isn't coming back. The bottom on the Dow will be 2,600 to 4,200 if we are lucky. This time the financial system is in too deep. There can be no reversal. How can there be if the American taxpayer guarantees 90% of all mortgages, so that the legacy banks, as they are now called, can make ever more money.

Just to give you an idea of what government was up too in the second quarter, corporate debt rose marginally, but at half the level of the first quarter. Federal government debt grew at 8.3%, up from 4.9% in the first quarter. Annualized that is an increase of from 22.6% to 28.2%. Fed holdings of federal securities increased from $20 billion to $559 billion. How is that for monetization? This as mortgage debt contracted by $53 billion. Government and Wall Street say the recession is over, but polls show 86% of Americans disagree.

While all this transpires unemployment payouts worldwide are running out. Spain is on its back along with Ireland and Italy tells us that without a continuation of cash for clunkers there will be a disaster in the country. In the US car sales are expected to fall 40% in September. European sales are expected to fall by one million units in 2010. In the US banks' lending has fallen 14% in the third quarter. It is like the 1930s all over again. This points out the fallacy of the G-20 of saving and increased consumption simultaneously. There is no mystery. Even though government lies about its statistics we can figure them out and the result is not good. The conclusion is the Fed and other European banks will have to partake in massive additional monetization to stave off a deflationary depression and it has already begun.

During this past week the Dow gave up 1.6%; S&P 2.2%; the Russell 2003, 3.1% and Nasdaq 1.8%. Consumers fell 1.1%; utilities 1.5% cyclicals 4.4%; transports 4.3%; banks 3.3%; broker/dealers 3.4%; high tech 2.8%; semis 1.7%; Internets 1.5% and biotechs 3.1%. Gold bullion fell $16.75, and the HUI fell 6.2%. The dollar index rose 0.4% to 76.74.

Two-year T-bill yields fell 7 bps to 0.87%; the 10-year yields fell 14 bps to 3.32% and the 10-year German bund fell 12 bps to 3.26%.

Freddie Mac's 30-year fixed rate mortgage rates were unchanged at 5.04%. The 15's fell 1 bps to 4.46% and 1-year ARMs fell 6 bps to 4.52%. The jumbos fell 1 bps to 6.17%.

Fed credit jumped $44.1 billion. Fed foreign holdings of Treasuries and Agencies increased $11.6 billion to a new record $2.854 trillion. Custody holdings for foreign central banks has risen 18.4% ytd, up $432 billion yoy or 17.9%.

Total money fund assets were unchanged at $3.483 trillion. Assets have declined $350 billion ytd, or 12.4% annualized.

M2, narrow money supply, fell $3.9 billion to $8.303 trillion. It is up 1.9% ytd and 7.6% yoy.

The unemployment rate for young Americans has exploded to 52.2 percent — a post-World War II high, according to the Labor Dept. — meaning millions of Americans are staring at the likelihood that their lifetime earning potential will be diminished and, combined with the predicted slow economic recovery, their transition into productive members of society could be put on hold for an extended period of time.

And worse, without a clear economic recovery plan aimed at creating entry-level jobs, the odds of many of these young adults — aged 16 to 24, excluding students — getting a job and moving out of their parents' houses are long. Young workers have been among the hardest hit during the current recession — in which a total of 9.5 million jobs have been lost.

"It's an extremely dire situation in the short run," said Heidi Shierholz, an economist with the Washington-based Economic Policy Institute. "This group won't do as well as their parents unless the jobs situation changes."

Al Angrisani, the former assistant Labor Department secretary under President Reagan, doesn't see a turnaround in the jobs picture for entry-level workers and places the blame squarely on the Obama administration and the construction of its stimulus bill.

"There is no assistance provided for the development of job growth through small businesses, which create 70 percent of the jobs in the country," Angrisani said in an interview last week. "All those [unemployed young people] should be getting hired by small businesses."

There are six million small businesses in the country, those that employ less than 100 people, and a jobs stimulus bill should include tax credits to give incentives to those businesses to hire people, the former Labor official said.

"If each of the businesses hired just one person, we would go a long way in growing ourselves back to where we were before the recession," Angrisani noted.

During previous recessions, in the early '80s, early '90s and after Sept. 11, 2001, unemployment among 16-to-24 year olds never went above 50 percent. Except after 9/11, jobs growth followed within two years.

A much slower recovery is forecast today. Shierholz believes it could take four or five years to ramp up jobs again.

A study from the National Longitudinal Survey of Youth, a government database, said the damage to a new career by a recession can last 15 years. And if young Americans are not working and becoming productive members of society, they are less likely to make major purchases — from cars to homes — thus putting the US economy further behind the eight ball.

Angrisani said he believes that Obama's economic team, led by Larry Summers, has a blind spot for small business because no senior member of the team — dominated by academics and veterans of big business — has ever started and grown a business.

"The Reagan administration had people who knew of small business," he said.

"They should carve out $100 billion right now and create something like $5,000 to $6,000 job credits that would drive the hiring of young, idled workers by small business."

Angrisani said the stimulus money going to extending unemployment benefits is like a narcotic that is keeping the unemployed content — but doing little to get them jobs.

Labor Dept. statistics also show that the number of chronically unemployed — those without a job for 27 weeks or more — has also hit a post-WWII high.

The Army grants the officer's resignation under "other than honorable conditions."

First Lt. Ehren Watada, the first commissioned military officer to refuse deployment to Iraq because he believed it was an illegal war, has won his three-year legal battle with the Army.

With little fanfare the Army at Fort Lewis, Wash., accepted the resignation of the 1996 Kalani High School graduate, and he will be discharged the first week in October.

Rather than seek a second court-martial against the artillery officer, the Army will grant Watada a discharge under "other than honorable conditions." [It took lots of guts to do this.]

Junk bond sales in Asia will register robust growth as investor appetite for riskier debt increases and companies turn attention toward 2010 financing requirements, according to Nomura Holdings Inc. Issuance of junk, or high yield, securities in the region will follow a resurgence in U.S. and European sales, Glenn Schiffman said, 'High yield in Asia is about to come back strongly,' Schiffman said. Junk bond sales in the U.S. total $99 billion this year, a 63 percent increase on the same period in 2008.

The Federal Reserve decided to keep pumping $1.25 trillion of new money into the mortgage market to focus on rescuing the U.S. economy as the financial system revives and banks ask for less help. The US has lent, spent or guaranteed $11.6 trillion to bolster banks and fight the longest recession in 70 years, according to data compiled by Bloomberg.

Ford Motor Co. will build a third car factory in China as the nation's economic growth spurs auto demand, two people familiar with the plans said. Ford plans to add capacity after China Ford-brand car sales jumped 30% in the first eight months.

Five US states that were among the hardest hit by job losses and the construction slump also had declines in household incomes during the first year of the recession. Arizona, California, Florida, Indiana and Michigan all saw median household incomes drop in 2008, the Census Bureau said. Only one state had a decline the previous year.

The global recession is taking its toll on even the priciest shopping streets, where rents have plunged the most in at least 24 years, according to Cushman & Wakefield, Manhattan's Fifth Avenue ranked as the world's most expensive retail address for the eighth straight year, even as annual rents dropped 8.1% to $1,700 a square foot.

Manhattan apartment rents dropped an average of at least 8% in the year's most active leasing season as Wall Street job cuts and the recession rippled through the economy, real estate broker Citi Habitats said.

Puerto Rico's government announced yesterday that it will lay off more than 16,000 public workers in the US Caribbean territory, adding to an unemployment rate higher than that of any US state.

The government hopes the layoffs will help close a $3.2 billion deficit.

The island is struggling through its third year of recession and a 15 percent unemployment rate. Union leaders announced an island-wide strike in protest on Oct. 15.

The layoffs of 16,970 employees are needed to prevent the government from shutting down and sinking the island's credit, said Carlos Garcia, president of the Government Development Bank of Puerto Rico.

An interesting observation appeared in the Australian Shooter Magazine this week: If you consider that there has been an average of 160,000 troops in the Iraq theater of operations during the past 22 months, and a total of 2112 deaths, that gives a firearm death rate of 60 per 100,000 soldiers.

The firearm death rate in Washington, DC is 80.6 per 100,000 for the same period. That means you are about 25 percent more likely to be shot and killed in the US capital, which has some of the strictest gun control laws in the US, than you are in Iraq.

Conclusion: "The US should pull out of Washington."

The G20 communiqué is worthless: there is nothing concrete in it. There are no metrics, no standards and most importantly no penalties or enforcement. The G20 is trying to fool the world into believing that they will arrest the larcenous urges of Wall Street by threatening people with 'double secret probation".

President Barack Obama said actions taken so far "brought the global economy back from the brink. We leave here today confident and united," Obama said at the conclusion of a two-day gathering of the world's 20 top economies to deal with the worst financial crisis since the 1930s.[From his lips to God's ears.]

The dollar is dead – long live the renminbi Whatever happens at the G20, the days of Western dominance are at an end, says Jeremy Warner. In direct contradiction of US objectives, Angela Merkel, the German Chancellor, accuses Britain and America of using the issue of trade imbalances to backtrack on financial reform and bankers' bonuses. "We should not start looking for ersatz [substitute] issues and forget the topic of financial market regulation," she said before boarding the plane to Pittsburgh.

To the big export nations, the primary cause of the crisis was Anglo Saxon financiers, whose wicked and avaricious ways created a catastrophe in the financial system, which led to a collapse in world trade. Once bankers are tamed, this one-off shock can be put behind us and the world will return to business as usual. [If the US can't paper over declining living standards anymore, the US welfare state will collapse.]

http://www.telegraph.co.uk/finance/comment/jeremy-warner/6232623/The-dollar-is-dead—long-live-the-renminbi.html

As we have warned, government and their supported industries have cannibalized future sales for expediency. Just like the US – The Telegraph: UK car production falls 31.5pc as fears grow over car scrappage scheme A pick-up in new car production driven by the launch of the scrappage scheme ended in August, sparking concerns for the health of the industry when the Government's £300m programme ends.

Trim Tabs reports: The best real-time measure of wages—the income and employment taxes withheld from the paychecks of the 131+ million salaried U.S. workers—continues to decline significantly on a year-over-year basis. Adjusting for the "Making Work Pay" tax credit and COBRA withholding tax reimbursements, income tax withholdings fell 4.2% y-o-y in the past week and four days (Friday,

September 11 through Wednesday, September 23) and 5.1% y-o-y in the past three weeks and four days (Friday, August 28 through Wednesday, September 23). Withholdings are not the only sign the economy is still struggling. The TrimTabs Online Job Postings Index has been essentially flat since late April, and weekly unemployment claims have topped 500,000 since early January.

http://www.trimtabs.com/global/index.html

THE United States government is borrowing money like never before. The national debt rose by more than a third over a one-year period, far more than it ever did at any time since World War II… Rather than crowding out the private sector, Uncle Sam is now standing in for it. Much of the government borrowing went to investments in financial institutions needed to keep them alive. Other hundreds of billions went to a variety of programs aimed at stimulating the private economy, including programs that effectively had the government pick up part of the cost for some home buyers and some auto buyers.

This week, the Federal Reserve published its quarterly report on debt levels in the economy. While Uncle Sam borrowed more, others borrowed less…the amounts owed by individuals, governments and businesses — climbed just 3.7 percent from the second quarter of 2008 through the second quarter of this year. That is the smallest increase since the Fed started these calculations in the early 1950s.

Twenty years ago, nonfinancial businesses in the United States borrowed $1.70 for every dollar borrowed by the financial sector, government-guaranteed or not. Now the figure is 68 cents.

Freddie Mac August data shows: Delinquencies increase $4.2B to $70.2B. Delinquencies in Freddie guaranteed book increased 6.4% to $70.2B. The credit-enhanced single family increased .42 to 6.59% of loans. The non-credit enhanced single-family book delinquencies increased .14 bps to 2.41%. Multi- family delinquencies declined, .01 to 0.10%.

Reuters: As Subprime Lending Crisis Unfolded, Watchdog Fed Didn't Bother Barking – Under a policy quietly formalized in 1998, the Fed refused to police lenders' compliance with federal laws protecting borrowers, despite repeated urging by consumer advocates across the country and even by other government agencies.

http://www.washingtonpost.com/wp-dyn/content/article/2009/09/26/AR2009092602706.html?wpisrc=newsletter

With the mortgage bust approaching Year Three, it is increasingly up to the nation's courts to examine the dubious practices that guided the mania. A ruling that the Kansas Supreme Court issued last month has done precisely that, and it has significant implications for both the mortgage industry and troubled borrowers.

For centuries, when a property changed hands, the transaction was submitted to county clerks who recorded it and filed it away. These records ensured that the history of a property's ownership was complete and that the priority of multiple liens placed on the property — a mortgage and a home equity loan, for example — was accurate.

During the mortgage lending spree, however, home loans changed hands constantly. Those that ended up packaged inside of mortgage pools, for instance, were often involved in a dizzying series of transactions…Fannie Mae, Freddie Mac and the mortgage industry set up MERS to record loan assignments electronically. This company didn't own the mortgages it registered, but it was listed in public records either as a nominee for the actual owner of the note or as the original mortgage holder…

"MERS is basically an electronic phone book for mortgages," said Kevin Byers, an expert on mortgage securities and a principal at Parkside Associates, a consulting firm in Atlanta. "To call this electronic registry a creditor in foreclosure and bankruptcy actions is legal pretzel logic, nothing more than an artifice constructed to save time, money and paperwork."

As cases filed by MERS grew, lawyers representing troubled borrowers began questioning how an electronic registry with no ownership claims had the right to evict people…

Initially, judges rejected those arguments and allowed MERS foreclosures to proceed. Recently, however, MERS has begun losing some cases, and the Kansas ruling is a pivotal loss, experts say…

The court was unsympathetic. In January 2007, it found that Sovereign's failure to register its interest with the county clerk barred it from asserting rights to the mortgage after the judgment had been entered. The court also said that even though MERS was named as mortgagee on the second loan, it didn't have an interest in the underlying property.

By letting the sale stand and by rejecting Sovereign's argument, the lower court, in essence, rejected MERS's business model…In other words, banks holding second mortgages could find themselves in the same pair of unlucky shoes that Sovereign found itself wearing in Kansas.

A tiny car company backed by former Vice President Al Gore has just gotten a $529 million U.S. government loan to help build a hybrid sports car in Finland that will sell for about $89,000. [creates jobs in Finland, not the US – and luxury cars at that!]

The awards to Fisker and Tesla have prompted concern from companies that have had their bids for loans rejected, and criticism from groups that question why vehicles aimed at the wealthiest customers are getting loans subsidized by taxpayers.

House Democrats are considering a tax on high-cost insurance plans to help pay for health care overhaul that tops President Barack Obama's domestic agenda.

House Speaker Nancy Pelosi, D-Calif., said Friday the tax is "under consideration" as Democrats search for consensus within their ranks before taking a bill to the House floor later this fall. "We just have to see how much money we need for what," Pelosi said…

The House Democratic plan calls for raising income taxes on upper-income people to pay for covering the uninsured. Baucus has instead proposed a tax on high-cost insurance plans worth more than $8,000 for an individual policy and $21,000 for family coverage.

Proponents of the insurance tax, which Obama has endorsed, say it would help to lower health care costs by encouraging people to become more cost-conscious health care consumers.

Sen. John Ensign (R-Nev.) received a handwritten note Thursday from Joint Committee on Taxation Chief of Staff Tom Barthold confirming the penalty for failing to pay the up to $1,900 fee for not buying health insurance.

Violators could be charged with a misdemeanor and could face up to a year in jail or a $25,000 penalty, Barthold wrote on JCT letterhead. He signed it "Sincerely, Thomas A. Barthold."

"There's going to have to be revenue in this budget," said Podesta, Clinton's former chief of staff and co- chairman of President Barack Obama's transition team, said in an interview on Bloomberg Television's "Political Capital with Al Hunt," airing today.

A so-called consumption tax would "create a balance" with European and Japanese economies and "could potentially have a substantial effect on competitiveness," said Podesta. Value- added taxes in Europe and Japan encourage savings by taxing consumption.

Podesta said such a tax may be regressive, but can be balanced by exempting some products.. Clinton, facing a deficit of 4.2 percent of GDP, pushed Congress to raise taxes on the wealthy to help trim the shortfall. "He passed it without a single Republican vote," Podesta said. "It led to the longest period of growth in the United States history."

Bank of America Corp. is suspending its work with the housing affiliate of embattled community organizing group ACORN.

The decision comes as three Republicans in Congress ask Bank of America and 13 other financial institutions to give Congress a complete accounting of their dealings with the Association of Community Organizations for Reform Now or its affiliates.

In a statement, Bank of America said it would not enter into any further agreements with ACORN Housing Corp. until the bank is satisfied all issues have been resolved. ACORN Housing Corp. and Bank of America have worked together for years on mortgage foreclosure issues.

At least 60 Massachusetts doctors collectively have earned more than a half-million dollars this year as speakers paid by pharmaceutical giant Eli Lilly & Co. – including two Boston Medical Center physicians whose participation is being reviewed for possible violation of a hospital policy against marketing activities by its doctors.

After learning of the doctors' company-sponsored talks from the Globe, Boston Medical Center said it would investigate the matter and directed the physicians not to make any further presentations on behalf of Lilly in the meantime.

The use of physicians in speakers programs or "bureaus'' like Lilly's, in which doctors generally use company-prepared materials to explain a drug's uses and dosing to their colleagues, is widespread in the drug industry. But the practice is under growing scrutiny and some academic medical centers are barring their doctors from participating, believing that physicians essentially become hired advertising guns, with weakened credibility.

Politicians, regulators, and some physicians also are concerned that doctors who give company-sponsored talks may present biased information that could underplay harmful side effects, or encourage the use of expensive brand name medications instead of less costly alternatives. When the company provides the power point, the risk of bias is even greater, they say.

Despite a planned rally in Albany Tuesday to protest a state regulation requiring health care workers be vaccinated against influenza — both seasonal and [swine flu](#) — [New York](#)'s top public health official predicts dissenters will ultimately extinguish their anger and roll up their sleeves.

The regulation, which was approved in August, comes with a stinging addendum: Get vaccinated or get fired.

But some nurses and many other health care providers say the regulation violates their personal freedom and leaves them vulnerable to vaccine injury. And they cite deaths associated with the last federal government [swine-flu](#) vaccination program in 1976.

Federal Reserve General Counsel Scott Alvarez said audits of monetary policy by the U.S. Congress could lead to higher interest rates and reduced confidence in central bank policy. [Alvarez appears to have made a thinly-veiled threat to Congress.]

US banks will have to advance tens of billions of dollars to the cash-strapped fund protecting depositors at the Federal Deposit Insurance Corporation under a proposal to be to be put forward by regulators on Tuesday.

The FDIC's board, which meets on Tuesday to discuss options, is currently leaning towards asking banks to pay three years' worth of its fees in advance, say people briefed on the discussions. For 2009, banks are set to pay an annual fee of about $12bn and a one-off emergency charge of $5.6bn.

Businesses in their first 90 days of life accounted for 14% of hiring in the U.S. between 1993 and 2008, according to the Bureau of Labor Statistics.

But this recession is taking a particularly heavy toll on business creation, as sources of small-business funding dry up and would-be entrepreneurs become more risk-averse. When entrepreneurs do launch businesses, they are hiring fewer employees on average. The trends threaten to damp growth in jobs and economic output for years.

Company formation typically dips slightly in recessions, says Brian Headd, a Small Business Administration economist. Earlier this decade, business starts — including new businesses and units of existing businesses — fell 9% between the third quarter of 2000 and the first quarter of 2003, the BLS says.

This time, the decline has been steeper. Business starts fell 14% from the third quarter of 2007 to the third quarter of 2008; the 187,000 businesses launched in that quarter were the fewest in a quarter since 1995. The number ticked up slightly in the fourth quarter, the latest data available. But those new establishments created only 794,000 jobs, the fewest since the government began tracking the data in 1993.

Rasmussen: Support for Health Care Plan Hits New Low Just 41% of voters nationwide now favor the health care reform proposed by President Obama and congressional Democrats. That's down two points from a week ago and the lowest level of support yet measured.

http://www.rasmussenreports.com/public_content/politics/current_events/healthcare/september_2009/health_care_reform

Besides medical malpractice abuse the other reason that US healthcare and insurance is so expensive is: the US healthcare system is already socialized. Those that cannot or will not pay bills and those that abuse the system by demanding unnecessary services that they won't pay are subsidized by those that can

pay. Hospitals, insurers, doctors and healthcare providers pass all costs onto those that pay.

The financial and economic crisis of the past two years was all planned and executed by the Federal Reserve and the FOMC. The Fed tells us the economy is picking up. That should not be too difficult after pouring $12.7 trillion into the economy. Then you have the lie that inflation expectations are stable and that these new conditions will need low interest rates for sometime to come. If everything is fine, why do we need indefinite low interest rates and a 21% increase in money and credit?

We find it interesting that the Fed calls our two-year crisis the panic of 2008, as they grapple with returning to normality. If it weren't so sad it would be laughable.

Something not openly discussed at the G-20 was the connection with the WTO and its history of extreme financial deregulation under the guise of free trade agreements. The next move by both groups will be for more deregulation. A move in that direction would be the end of the G-7 and G-8. Second world countries would have a greater say in global economic issues. They also intend to increase the voting power of developing countries.

The G-20 wants to talk about regulating finance and simultaneously they want the Doha WTO expansion, which is all about deregulating finance. This all sounds well and good, but these goals are in complete opposition to each other and nothing promulgated by G-20 is binding. They have no authority to demand anything domestically but WTO does. WTO wants more free trade and unless a major nation breaks the chain, the decimation of the economies of the US, Canada and Europe will continue. Doha was a failure; nothing was agreed upon in finality, yet the WTO is going ahead anyway. This is deregulation when globally re-regulation is the agenda. It just points out the G-20 was a smoke and mirrors. Just tell the public what they want to hear and do as you please.

What we witnessed in Pittsburg was an example of raw police power reminiscent of the streets of Munich, Germany in 1932. This time they wore black instead of brown. Goons, armed to the teeth, beating protestors many of whom were women and children. The extensive use of sound cannons in what was a horror show of law enforcement gone mad.

People do not know or forget that the WTO Financial Service Agreement overrides domestic law. Ironically this was never voted on by Congress. That included allowing banks to gamble with savings deposits and to use massive leverage. This is a legacy of Clinton, Rubin, Summers and Geithner. The only way out of this is to dump the WTO. If we do not we cannot as a nation re-impose Glass-Steagall. It will be very interesting to see if the political imperative wins out. The WTO rules were written by American and European transnational conglomerates.

Many subscribers are telling us they are having difficulty getting funds out of their bank accounts. Just a $5,000 withdrawal brings inquires from customer services. Banks are illegally holding checks and wires to deposit two weeks or longer in order to use the funds in their float.

The Chicago Fed said its national Activity Index was minus 0.9% in August, down from minus 0.56 in July. January's low was minus 4.12, who was originally reported minus 0.74. this is why these figures are worthless. They lie about everything. The index has been negative since June 2007.

Atlanta's Georgian Bank has become the year's 95th bank failure. Another player in the FDIC's Friday Night Financial Follies.

Treasury officials want to use what is left of $700 billion in TARP funds to bailout banks that were deemed too risky to qualify for earlier aid. Perhaps we should bail out the entire bankrupt country.

Bilderberger World Bank President Robert Zoellick is telling us it won't be long before the dollar's status as the world's key reserve currency will be over.

If homes were valued in gold the present median price would be 150 ounces, or the same valuation as of 1988.

In the Jim Rickards CNBC broadcast which we have the link elsewhere in this issue he says the Fed needs to devalue the dollar by 50%. We believe the figure should be 63%.

He said, central bankers intend to use SDRs, Special Drawing Rights, to ostensibly bring stability to the world financial system. We say it is just another fiat currency. Rickards expects gold to go to $2,000.

Gasoline nationwide fell $.053 last week to $2.49 a gallon.

Consumers in September gave back a little bit of the high spirits seen in August, according to a report released Tuesday.

The Conference Board, a private research group, said its index of consumer confidence dipped to 53.1 this month, from 54.5 in August, which was originally reported as 54.1. The current month's reading was far below economists' expectations of 57.0, according to a survey conducted by Dow Jones Newswires.

The present situation index, a gauge of consumers' assessment of current economic conditions, fell to 22.7 from 25.4 in August, originally reported as 24.9. Consumer expectations for economic activity over the next six months slipped to 73.3 from 73.8, first reported as 73.5.

While not as pessimistic as earlier this year, consumers remain quite apprehensive about the short-term outlook and their incomes. With the holiday season quickly approaching, this is not very encouraging news, said Lynn Franco, director of the Conference Board Consumer Research Center.

Consumers were less optimistic about the current employment situation. The percentage who think jobs are "hard to get" rose to 47.0% from 44.3% in August and those thinking jobs are "plentiful" fell to 3.4% from 4.3%. The employment outlook showed much less change.

The percentage of consumers expecting more jobs in the months ahead stood at 17.9% in September from 18.0% in the prior month while those expecting fewer jobs rose to 59.0% from 58.9% in August.

National chain store sales rose 0.4% in the first four weeks of September 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 0.3% drop.

The Johnson Redbook Index also showed seasonally adjusted sales for the period were down 2.3% from the same period last year and compared to a targeted 2.9% fall. The latest numbers are starkly different because they don't include Wal-Mart Stores Inc. (WMT), which earlier this year stopped giving monthly same-store-sales figures.

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

Over the last week customer traffic picked up and as a result so did sales," said ICSC chief economist Michael P. Niemira.
On a year-on-year basis, retailers saw sales rise 0.9% in the latest week.

The trade group still expects industry sales, excluding Wal-Mart Stores Inc. (WMT), to be down 2% this month from a year earlier.

Home values in 20 U.S. cities climbed in July by the most in almost four years, helping stem the record plunge in household wealth that's depressed spending.

The S&P/Case-Shiller home-price index rose 1.2 percent in July from the prior month, the biggest gain since October 2005, the group said today in New York. Another report showed consumer confidence unexpectedly fell in September, while holding above the record low reached earlier this year.

Home values are rebounding as low borrowing costs and government tax credits lift home sales. Combined with rising stock prices, the gains will begin to restore the $13 billion plunge in net worth caused by the worst financial crisis since the Great Depression, a process that economists such as Brian Bethune say will take years to complete.

Connecticut led increases in poverty among eight U.S. states where rates rose in 2008, the first full year of the recession, a government report showed.

The proportion of Connecticut residents living in poverty rose by 1.4 percentage points to 9.3 percent, the Census Bureau said in a report released today in Washington. Florida and Hawaii were next with increases of 1.1 percentage points each, followed by California with a 0.9 point gain.

Four Democratic senators have introduced a bill that would, if passed, repeal the legal immunity afforded the telecommunications industry for their participation in President George W. Bush's warrantless wiretapping program.

Senators Chris Dodd (D-CT), Patrick Leahy (D-VT), Russ Feingold (D-WI), and Jeff Merkley (D-OR) announced the measure Monday. In a release, they said the bill eliminates retroactive immunity for telecommunications companies that allegedly participated in President Bush's warrantless wiretapping program.

The four senators, all liberal Democrats, emphasized that they believed granting the industry immunity violated the law and due process.

I believe we best defend America when we also defend its founding principles, Dodd said in the release. We make our nation safer when we eliminate the false choice between liberty and security. But by granting retroactive immunity to the telecommunications companies who may have participated in warrantless wiretapping of American citizens, the Congress violated the protection of our citizen's privacy and due process right and we must not allow that to stand.

Senate Judiciary Chairman Patrick Leahy (D-VT) hailed the measure as a return to the rule of law.

Regulators expect the cost of bank failures to grow to about $100 billion over the next four years – up from an earlier estimate of $70 billion. Faced with that sobering news, they voted Tuesday to require banks to prepay $45 billion in premiums to replenish an insurance fund that will start running dry on Wednesday.

The proposal by the board of the Federal Deposit Insurance Corp. to require early payments of premiums for 2010-2012 could take effect after a 30-day public comment period.

The FDIC is fully backed by the government, which means depositors' money is guaranteed up to $250,000 per account. But it would be the first time the agency has required prepaid insurance fees.

Currency issues will likely be discussed at this week's annual meeting of the World Bank and the International Monetary Fund, the bank's president said Tuesday.
Robert Zoellick did not say which currencies could make the agenda at the meeting in Istanbul, Turkey, saying only that "if you have a currency that has a weakness, that will affect other currencies, and that can affect trade.

The International Monetary Fund cut its projection for global write downs on loans and investments by 15 percent to $3.4 trillion, citing improvements in credit markets and initial signs of economic growth.

The Conference Board's Consumer Confidence Index fell to 53.1 in September from an upwardly revised 54.5 in August. 57 was expected; so stocks declined on the information.

Consumers are still betting on the future. The 'present situation' index declined to 22.7 from 25.4; but the 'expectation index' (next 5 months) declined to 73.3 from 73.8.

Consumers that said jobs are currently "hard to get" increased to 47% from 44.3%; but expectations about jobs being hard to find in future months down ticked a tad, to 17.9% from 18%.

The FHA makes Countrywide Financial look prudent.

The agency acknowledged this month that a new but still undisclosed HUD audit has found that FHA's cash reserve fund is rapidly depleting and may drop below its congressionally mandated 2% of insurance liabilities by the end of the year.

At a 50 to 1 leverage ratio, the FHA will soon have a smaller capital cushion than did investment bank Bear Stearns on the eve of its crash. (See nearby table.) Its loan delinquency rate (more than 30 days late in payments) is now above 14%, or from two to three times higher than on conventional mortgages. Its cash reserve ratio has fallen by more than two-thirds in three years.

The reason for this financial deterioration is that FHA is underwriting record numbers of high-risk mortgages. Between 2006 and the end of next year, FHA's insurance portfolio will have expanded to $1 trillion from $410 billion. Today nearly one in four new mortgages carries an FHA guarantee, up from one in 50 in 2006. Through FHA, the Veterans Administration, Fannie Mae and Freddie Mac, taxpayers now guarantee repayment on more than 80% of all U.S. mortgages. Sources familiar with a new draft HUD report on FHA's worsening balance sheet tell us that the default rates have risen most rapidly on the most recent loans, i.e., those initiated or refinanced in 2008 and 2009.

All of this means the FHA is making a trillion-dollar housing gamble with taxpayer money as the table stakes.

http://online.wsj.com/article/SB10001424052970204488304574428970233151130.html#printMode

A total of ~$686 billion in new mortgages were issued in 2009 (through August)…It turns out that in 2009 (again, through August), the Federal Reserve has bought $624 billion of MBS and a further $98 billion of Agency debt, for a total of $722 billion in money injection into the housing market through Fannie Mae, Freddie Mac, and the FHLB.

The discovery that Countrywide Financial Corp. recorded phone conversations with borrowers in a controversial mortgage program that included public officials — and that those recordings have been destroyed — has prompted new congressional calls for more information about the program.

Rep. Darrell Issa of California, the ranking Republican on the House Oversight and Government Reform Committee, is trying to subpoena the remaining records of Countrywide's VIP loan program. So far, the committee's chairman, New York Democratic Rep. Edolphus Towns, has turned down that request. [It's the corruption, stupid! Revolucion!]

Among the prominent VIP program borrowers were two Democratic senators, Chris Dodd of Connecticut and Kent Conrad of North Dakota…Alphonso Jackson, who had been a Housing and Urban Development secretary under President George W. Bush, also received two loans through the VIP Program.

State tax revenues in the second quarter plunged 17% from a year earlier as rising unemployment and reduced spending hurt sales- and income-tax collections, according to Census Bureau figures released Tuesday.

The decline was the sharpest since at least the 1960s. The biggest drop among major revenue sources was in state income taxes, which were down 28% from a year ago. Sales-tax revenues fell 9%. About two- thirds of state revenues are derived from sales and income taxes. The numbers aren't adjusted for inflation or changes in tax rates.

One other technical oddity bears consideration. Jason Goepfert, of Sundial Capital has apparently noted that the S&P and Nasdaq have risen for five straight months from the March lows. Amazingly, NYSE monthly volume has declined consecutively over those five months. We are told that Mr. Goepfert's work indicates that there has never been that kind of divergence for longer than two months. The rubber band certainly looks stretched.

A measure of U.S. business activity unexpectedly shrank in September, indicating companies are likely to limit spending and production.

The Institute for Supply Management-Chicago Inc. said today its business barometer decreased to 46.1, worse than the lowest estimate of economists surveyed by Bloomberg News, from 50 in August. Readings below 50 signal contraction.

Near-record excess capacity and gains in spending induced almost solely by government stimulus programs are likely to prevent companies from ramping up assembly lines. The manufacturing recovery may be uneven as federal assistance begins to wind down.

Conditions are still very sobering, said Ellen Zentner, a senior macro economist at Bank of Tokyo-Mitsubishi UFJ Ltd. in New York. There's always a payback period on the other side for government stimulus.

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