

Paul Volcker is back: Restructuring of the Financial Elites?

A Split has developed between Morgan & Goldman Forces.

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Paul Volcker is back and things are about to change in Washington. A split has occurred between the paper forces of Goldman Sachs and JP Morgan Chase. Mr. Volcker represents Morgan interests. The Morgan side is tired of Goldman's greed and arrogance. Volcker cannot be called old school or anachronistic. He represents sanity in an insane financial world even though he is an integral and powerful part of the elitist structure. He represents a change in gears and approach. The present administration and the Democratic Party has lost its moorings and is in on a path of political suicide. They have tried to get passed impossible legislation that the American people do not want, and they will abandoning those positions, because they are no longer tenable. The election of Scott Brown in Massachusetts was a major defeat for all administration programs. As you will see Mr. Obama and fellow Democrats will start sounding like popular conservatives and populist talk show hosts, as they attempt to win back their center. That is where Paul Volcker fits in. He is back and major changes are about to take place financially and politically.

Goldman Sachs, Citigroup and others in their greed have lost touch with economic and financial reality and they looted the system. Not that JP Morgan chase was blameless, they did their looting and damage to the system as well, but not in the high handed arrogant way the others did. The recall of Volcker is an attempt to reverse the damage as much as possible. That means the influence of Geithner, Summers, Rubin, et al will be put on the back shelf at least for now, as will be the Goldman influence. It will be slowly and subtly phased out. One of the things we have always believed is that Volcker was never out of touch. He is brilliant, brash, irreverent and successful.

There is a real split that has developed over the past year between the Morgan and Goldman forces. For Goldman it has been a difficult year; they got caught stealing. First in naked shorts, then front-running the market, both of which they are still doing, as the SEC looks the other way, and then selling MBS-CDOs to their best clients and simultaneously shorting them. Such unethical, despicable behavior is criminal. As criminal as Berkshire Hathaway's \$100 million fine for fraud, but no jail time for the crooks, which includes Warren Buffett. As a result of the antics of Goldman and Buffett, Washington needs a new face on Wall Street, not that of a criminal syndicate. Mr. Obama and the Democrats need a cleaner Wall Street, that can be respected, and that can assist the administration of strong markets, higher employment and sustainable economic recovery. An economy that has floundered and made little gain in spite of a major infusion of stimulus, bailouts and \$13.7 trillion in monetary injections.

The attempt will be to bring the financial system back to brass tacks. No more arrogant fat cats. A subtle quieter Wall Street. Stability is what is needed and Volcker can bring that if he is allowed too. That would include little or no MBS and CDOs, the regulation of derivatives and hedge funds and the end of massive market manipulation, both by Treasury, Fed and Wall Street players. Congress has to end the "President's Working Group on Financial Markets," or at least limit its use to real emergencies. Needless to say, the Fed has to be eliminated and that power returned to our Treasury Department as we close the revolving door between Wall Street and Washington. In a new terrible wrinkle the recent Supreme Court decision allowing corporate America to buy politicians has to be reversed by Congress ASAP. The SEC and the CFTC have to stop aiding and abetting Wall Street and become protectors of the investors. If that cannot happen they should be replaced by quasi-government entities that will catch the crooks on Wall Street and really punish them. Not with fines but with time in jail. The Glass-Steagall Act should be reintroduced into the system and lobbying and campaign contributions should end. How is that for cleaning house?

Securities firms should not be allowed to be or own banks, and insurance companies. Banks, insurance companies and brokerage firms should only be allowed to control a portion of their markets. No more monopolies and no more too big to fail. All books at corporations should always have to mark-to-market, not mark-to-model and two sets of books should be banned. The BIS and the FASD should be allowed to set guidelines that protect the public as well as participants. What we have now is political force. Fannie Mae, Freddie Mac, Ginny Mae and FHA should be sold to private interests. The government should not be in the insurance or real estate business. No more politics in lending and banks should be limited to a lending ratio of 10 to 1. If they do not comply they should be shut down. It is bad enough they have the leverage that they have. State banks such as North Dakota's are a better idea.

This brings us back to the administration and Mr. Volcker. We know they cannot accomplish these changes; only a few would be helpful. It is obvious there will be little or no recovery and solutions have to be found for immediate problems. We see no way the current credit mechanism can reinvigorate what is left of the system. The money machine will be allowed to because the minute it is turned off the game is over. Mr. Volcker is well aware of that. It could be that will be his solution as it was in the early 1980s. The politicians, particularly the Democrats and the administration are outraged at what Wall Street has done, particularly Goldman Sachs. There are many changes coming and we will have to try to anticipate which way things are headed.

We believe the Treasury Department is in desperate demand for investors to buy Treasuries. After many years the world has finally awakened to the fact that the US is broke and has been for a long time. Now fewer and fewer investors consider Treasuries as a safe haven. Who in their right mind would buy a Treasury bill with a negative or zero return? We would guess because the buyer perceives them to be safe, perhaps willing to lose some 7% to 8% to inflation. These sales are averaging \$50 billion weekly. As the buyers dry up and in order to avoid Fed purchase and monetization, government is eyeing your retirement investments to be the source of their new annuity scheme.

This past week the PPT allowed the market to fall just to scare investors into buying Treasuries. It fell 552 points in three days from 10,725 to 10,172, in an atmosphere where for a long time, via the PPT it has been controlling the market. Something serious is definitely up and we probably are approaching the next wave of trouble. We are not alone.

Japan is wobbling; China has gone too far with stimulus and is facing hyperinflation, and the eurozone could be facing a breakup, a reduction in size, and perhaps eventually a total breakup. These problems and all the problems in G-20 countries we need like we need a hole-in-the-head. They have all made the same stupid mistakes. We could be facing a perfect storm, and this time it won't be different; it will be worse. History tells us it will be worse. This is not bad judgment or incompetence it is a takedown of the world economies and financial structure in order to implement World Government. It has been tried over and over again for centuries for the past more than a thousand years; the attempt to bring back the control that the Roman Empire once had for longer than their 500 year reign.

Empires collapse and have over this period in time in part due to greed and power, the power to control people. The theme is not the mismanagement of markets and things fiscal and monetary, but the deliberate takedown of today's financial structure. In history have you ever heard of financial experts collectively in total buying AAA rated bonds that were Triple B? Can their attorneys not read the fine print? Of course they can. Or have you ever heard of lenders lending 40 to 70 times underlying assets, deposits, when 8 to 10 times is normal? Of course you haven't, because it is prescription for destruction. Why would lenders simultaneously do such things? Because they were acting in concert to take down the system. There are only a handful of writers who recognize the true meaning of what is happening to our civilization. That is because other writers want to be accepted by their peers and within their society. They do not want to step outside the limits; they do not want to end up in an internment camp. That is why they are seldom correct and why we have the problems we have today. All the economic and financial answers do not add up, don't work, if you truly understand what is going on behind the scenes.

Tiny Tim has warned us again, like his predecessor Henry Paulson, that if you do not reappoint Helicopter Ben then the market will collapse. This again makes it plain that we live in a corporate fascist thugocracy. This gives even greater importance to auditing the Fed and abolishing it. We need US notes, not Federal Reserve Notes.

The Senate results in Massachusetts have really thrown a monkey wrench into the plans of the Democratic Party. No Cap & Trade, perhaps no medical reform, no immigration reform and not enough votes to pass a new limit of debt of \$14.294 trillion. In order to service such giant debt, official short-term Fed rates have to be kept at current levels.

States, provinces, cities, towns, counties and Federal Governments worldwide are in debt for more than they should be and are suspects for bankruptcy. Remember as famous economist Franz Pick once told us that debt paper is guaranteed certificates of future confiscation. Almost all governments have followed the lead of the G-20 trying to stimulate their way out of recession or depression.

Governments within the US are in terrible shape financially. The federal government has unfunded liabilities for pension and medical benefits of some \$3 trillion. The November trade deficit was \$34.6 billion. The December deficit is \$91.9 billion, almost double year-on-year. Quarter-on-quarter the deficit was 17% higher. The deficit for October 30, 2009 was \$1.4 trillion and 2010's deficit will be higher than \$1.70 trillion. No sane person would buy government bonds after looking at these numbers. You might say this is the future and we do not like the looks of it.

During this past week the Dow lost 4.1%, S&P 4.3%, the Russell 2000 3.4% and the Nasdaq 100 fell 3.9%. Banks slipped 0.8%; utilities 1.4%; high tech 4.5%; semis 4.6%; Internets

4.2% and biotech's 2.2%. Bullion sank \$36.00 and the HUI fell 8.6%. The dollar gained 1.3% to 78.29.

Two-year T-bills fell 7 bps to 0.75%; the 10's fell 7 bps to 3.59%; the 15's fell 5 bps to 4.40% and the one-year ARMs fell 7 bps to 4.32%. The 30-year jumbos fell 6 bps to 5.96%.

Fed credit increased \$5.1 billion to a 52-week high of \$2.231 trillion. Year-on-year it is up \$181.6 billion. Fed foreign holdings of Treasury and Agency debt fell \$5 billion to \$2.946 trillion. Custody holdings for foreign central banks rose \$405 billion or 15.9% yoy.

M2 narrow money supply fell \$9.4 billion to \$8.452 trillion.

Total money market fund assets fell \$46 billion to \$3.240 trillion. Year-on-year that is off 16.8%.

In Friday's FDIC Financial Follies, five more banks went under. All were absorbed by other institutions. Last year 140 failed. It could be as high as 1,000 to 2,000 over the next 1-1/2 years.

Ben "Helicopter" Bernanke has supposedly been bailed out by the White House and the Senate Republican leadership, with Republican flex-spending accounts to buy off Senators. Corporate America owns our country and almost all incumbents have to be thrown out of office in November from both parties. Again, Americans strongly oppose the reappointment of Mr. Bernanke, but that doesn't mean anything in our corrupt government. Let's make sure the political spin doesn't work anymore. Scream at the top of your lungs non-confirmation and the resignation of Geithner.

We found it of great interest that the SEC has disclosed in an e-mail to the Fed that they keep secret financial records related to national security that only two people at the SEC are allowed to access. We heard of such files 30 years ago from our sources in Washington, but were never able to get concrete confirmation. We have been told it is not only for financial records, but regarding individuals as well. We have been a political target of the SEC since 1967. We believe this same safe holds the records pertaining to the manipulation of all markets by the "Working Group on Financial Markets."

Senior executives from J.P. Morgan Chase & Co. also got involved. Rainmaker James B. Lee, who serves as a firm vice chairman, and Jes Staley, who runs the investment bank, each placed calls to senators over the weekend urging support for Mr. Bernanke, according to a person familiar with the situation.

Obama and big-government socialists still don't get it. Instead of restructuring the US economy and recharging the small business jobs machine, they will try to bribe voters with chump-change tax credits and cost-hike mandates on businesses, which will retard job creation. It's Sen. Brown's fault!!

President Obama will propose in his State of the Union address a package of modest initiatives intended to help middle-class families, including tax credits for child care, caps on some student loan payments...the president is calling on Congress to nearly double the child care tax credit for families earning less than \$85,000...But the credit would not be refundable, meaning that families would not get extra money back on a tax refund.

Another of the president's proposals, a cap on federal loan payments for recent college

graduates at 10 percent of income above a basic living allowance, would cost taxpayers roughly \$1 billion. The expanded financing to help families care for elderly relatives would cost \$102.5 million — a pittance in a federal budget where programs are often measured in tens if not hundreds of billions of dollars.

President Obama has also proposed an innocuous deficit reduction plan that would reduce the budget deficit \$25B per year for 10 years, if all those rosy projections come true. They seldom do.

The plan entails freezing \$447B of discretionary domestic spending, which is only about 1/6 of the budget. The freeze would NOT include military, foreign aid, national security and mandatory-spending programs such as Social Security and Medicare.

Lawmakers will consider a jobs- stimulus package worth about \$80 billion that would provide tax credits to small and medium-sized businesses that hire new workers, a Democratic senator said.

The plan, to be presented tomorrow to Senate Democrats, would include aid to state governments to prevent layoffs and additional funding for infrastructure projects, said the senator, who asked not be identified. The package also will likely include energy-related provisions such as incentives to weatherize homes, a Senate aide said.

The latest stimulus talk is another effete scheme intended to bribe voters and special interest groups.

The hypocrisy keeps soaring to new heights. Bernanke has the temerity to pledge Fed transparency in order to remain in power but he won't yield on a Fed audit. Only duly elected US officials would believe such BS or try to sell the BS as a reason for reappointment.

US corporations can run two sets of accounting books - taxes and for the public. But how long can companies keep cutting jobs and costs? Revenue growth is a necessity for an economic rebound, BTW.

David Rosenberg: So far, nearly 80% of companies that have reported have beat expectations, which is significantly above the long-run average of 60%. On average, companies have beat analyst expectations by about 21% (long-term average is 2%).

While earnings have been strong, revenue results have lagged. On this basis, the blended rate is 5% year-over-year, which is lower than last week's rate of 7%. Once Financials are stripped out, revenue growth is sitting at the grand total of 0% — down a percentage point from a week ago even as bottom- lines improved. The question going forward is how much more companies can cut costs - at some point sales need to increase in order to increase earnings (have a look at "The Great Corporate Pullback" on page B2 of today's WSJ). We have likely reached that point, and investors can sense it.

Timothy F. Geithner, who has denied that the financial condition of American International Group Inc.'s bank counterparties was a consideration in structuring the insurer's bailout, was told by a senior colleague that the rescue was a way to remove "uncertainty" for the firms.

Buying mortgage-linked assets from banks was better “from a financial-stability perspective” than other plans to shield AIG from losses on contracts guaranteeing the bonds, Margaret McConnell, then a Federal Reserve Bank of New York vice president, wrote in an e-mail to Geithner on Oct. 22, 2008.

Geithner, now Treasury secretary, led the New York Fed at the time of AIG’s rescue and McConnell’s e-mail.

The special inspector general of Treasury’s Troubled Asset Relief Program wrote in a 2009 report that Geithner said the New York Fed didn’t weigh the financial status of banks, including Goldman Sachs Group Inc., when deciding to fully reimburse them for \$62.1 billion of devalued assets. U.S. Representative Darrell Issa, the ranking member of the House oversight panel that called Geithner to testify this week, has described the rescue of New York-based AIG as a “backdoor bailout” of banks.

“It has become all too clear that the New York Fed was more interested in protecting the interests of Wall Street instead of Main Street,” said Issa, a California Republican, in a statement.

“Questions have been raised as to whether the Federal Reserve intentionally structured the AIG counterparty payments to benefit AIG’s counterparties,” Barofsky wrote. “Geithner and the New York Fed’s general counsel deny that this was a relevant consideration for the AIG transactions.”

In the retail real estate market foreclosure sales accounted for 1/3rd of December sales. Pending homes sales are dreadful and unsold inventory rose from 6.5-months in November from 7.2- months in December. First time buyers fell from 51% in November to 43% in December. It also should be noted that the entire inventory held by lenders not listed for sale could take inventory to over 10 months, as builders still build, albeit off 75% from the peak. Making things more difficult the home buying index of intentions has fallen 3-months in a row.

The Treasury sold \$44 billion worth of 2-year bills with bids totaling 3.13 to 1.

A record 20% of black men ages 20 to 24 are either not working or in school.

Royal Bank of Scotland Group plc is close to a deal to sell its 51% stake in its RBS Sempra Commodities LLP joint venture to J.P. Morgan Chase & Co., a source close to the talks said Thursday. J.P. Morgan has been in exclusive talks to acquire the commodities trading business, which is run jointly with Sempra Energy of San Diego. It could be valued at more than \$4 billion when the transaction is announced, probably in the next few days.

The speed with which Royal Bank, led by CEO Stephen Hester, is pushing ahead with the sale suggests that Hester is keen to complete the extensive divestment program ordered by the European Commission last year well before the 2013 deadline. Royal Bank, 84%-owned by the U.K. government following repeated injections of state funds in 2008 and 2009, is subject to tough Commission guidelines on state aid. [this would be a significant purchase and allow JP Morgan Chase further domination and concentration in the commodities market, which in turn could bring them inordinate control of commodities prices - another monopoly is being formed.]

The US government borrowed more money than ever before in 2009, but its largest lender

— China — sharply reduced the amount it was willing to lend.

The US Treasury estimated this week that during the first 11 months of last year China raised its holdings of Treasury securities by just \$62 billion. That was less than 5 percent of the money the Treasury had to raise.

That raised its holdings to \$790 billion, leaving it the largest foreign holder of Treasury securities — Japan is second at \$757 billion and Britain a distant third at \$278 billion. But China's holdings at the end of November were lower than they were at the end of July.

Not since 2001, when China was still a relatively minor investor in Treasury securities, had the country shown a decline in holdings over a six-month period.

During the full year of 2009, the volume of outstanding Treasury securities owned by the public — as opposed to United States government agencies like the Federal Reserve or the Social Security Administration — rose by \$1.4 trillion, a 23 percent gain, to \$7.8 trillion. In dollar terms, that was the largest annual increase ever, but as a percentage increase it slightly trailed 2008.

With this week's release of the November estimate of foreign holdings, China is on course to lend just 4.6 percent of the money the government raised during the year. That compared with 20.2 percent in 2008 and a peak of 47.4 percent in 2006.

The falloff in Chinese purchases did not necessarily cost the American government a lot of money, as interest rates did not soar during the year. Short-term rates actually fell. The yield on 10-year Treasuries rose to 3.6 percent, from 2.2 percent, a substantial increase but still a low rate by historical standards.

Some economists have feared what could happen if China ever decided to unload the Treasury securities it owns, but the reduction of Chinese purchases probably did not result from any decision to do that, said Robert Barbera, the chief economist of ITG, an investment advisory firm.

Instead, he said, China's main determination now was to prevent the rise of its currency against the dollar, and the country needed to buy fewer dollar-denominated securities to accomplish that goal, as the Chinese trade surplus with the United States declined.

The figures on foreign holdings estimated by the Treasury Department include both official and private holdings. In China, that is mostly official, but in some other countries many of the holdings are owned by investors or money managers who could be managing portfolios on behalf of people from yet another country. It is possible that some Chinese purchases appear to be from other countries.

Other countries took up part of the slack left by the reduction in China's purchases. Hong Kong, which is counted separately, took up more than 5 percent of the increased borrowing by the American government, and Japan provided nearly 10 percent.

But total foreign purchases in the 11 months financed only 39 percent of the borrowing, leaving American investors to purchase the remainder. As recently as 2007, foreigners were buying more Treasuries than the government was issuing, enabling Americans to reduce their Treasury holdings even as the government borrowed hundreds of billions of dollars.

Unemployment reached a record 12.1 percent in the District in December, keeping the city's jobless rate well above national levels and much higher than in Virginia and Maryland.

The District's unemployment rate rose from 11.8 percent in November, according to a Bureau of Labor Statistics report released Friday, even as the nation's jobless rate stabilized at 10 percent in December. Maryland's unemployment level increased to 7.5 percent from 7.3 percent, and Virginia's rose to 6.9 percent after staying at 6.6 percent for four straight months.

The District's 12.1 percent jobless rate is the highest since the government began collecting the data in 1976, and went up after having dipped in November from a previous high of 11.9 percent in October.

Unemployment is particularly high for the District's black residents, whose rate is three times the level of whites.

One-quarter of all the maize and other grain crops grown in the US now ends up as biofuel in cars rather than being used to feed people, according to new analysis which suggests that the biofuel revolution launched by former president George Bush in 2007 is impacting on world food supplies. The 2009 figures from the US Department of Agriculture shows ethanol production rising to record levels driven by farm subsidies and laws which require vehicles to use increasing amounts of biofuels. "The grain grown to produce fuel in the US [in 2009] was enough to feed 330-million people for one year at average world consumption levels," said Lester Brown, the director of the Earth Policy Institute, a Washington thinktank that conducted the analysis. Last year 107-million tonnes of grain, mostly corn, was grown by US farmers to be blended with petrol. This was nearly twice as much as in 2007, when Bush challenged farmers to increase production by 500% by 2017 to save cut oil imports and reduce carbon emissions. More than 80 new ethanol plants have been built since then, with more expected by 2015, by which time the US will need to produce a further five billion gallons of ethanol if it is to meet its renewable fuel standard. According to Brown, the growing demand for US ethanol derived from grains helped to push world grain prices to record highs between late 2006 and 2008. In 2008, the Guardian revealed a secret World Bank report that concluded that the drive for biofuels by American and European governments had pushed up food prices by 75%, in stark contrast to US claims that prices had risen only 2-3% as a result. Since then, the number of hungry people in the world has increased to over one billion people, according to the UN's World Food programme. "Continuing to divert more food to fuel, as is now mandated by the US federal government in its renewable fuel standard, will likely only reinforce the disturbing rise in world hunger. By subsidizing the production of ethanol to the tune of some \$6-billion each year, US taxpayers are in effect subsidizing rising food bills at home and around the world," said Brown. "The worst economic crisis since the great depression has recently brought food prices down from their peak, but they still remain well above their long-term average levels." The US is by far the world's leading grain exporter, exporting more than Argentina, Australia, Canada, and Russia combined. In 2008, the UN called for a comprehensive review of biofuel production from food crops. "There is a direct link between biofuels and food prices. The needs of the hungry must come before the needs of cars," said Meredith Alexander, biofuels campaigner at ActionAid in London. As well as the effect on food, campaigners also argue that many scientists question whether biofuels made from food crops actually save any greenhouse gas emissions. But ethanol producers deny that their record production means less food. "Continued innovation in ethanol production and agricultural technology means that we don't have to make a false choice between food and

fuel. We can more than meet the demand for food and livestock feed while reducing our dependence on foreign oil through the production of homegrown renewable ethanol," said Tom Buis, the chief executive of industry group Growth Energy. - guardian.co.uk © Guardian News and Media 2010.

Switzerland cannot hand over files on 26 suspected tax cheats to US authorities because their failure to declare assets properly doesn't constitute fraud under Swiss law, a top court has ruled.

The ruling released yesterday sets limits on Swiss government cooperation with Washington in a US investigation against banking giant UBS AG and could have implications for the way Switzerland handles some 4,424 other Americans suspected of tax evasion. In the first appeal by former UBS customers against the handover of their banking details to US authorities, the Federal Administrative Tribunal found that one client's failure to fill out a supplementary US tax form didn't constitute fraudulent behavior.

Evidence of such behavior is necessary under Swiss law, and a 1996 treaty with the United States, for Switzerland to lift its strict banking secrecy rules and provide information on foreign clients to other governments.

The court instructed Swiss tax authorities to reassess the unidentified woman's case and 25 similar cases that were among 4,450 the government had agreed in August to hand over to Washington. UBS had previously paid a \$780 million penalty under a larger deferred prosecution agreement filed in a Florida federal court that included disclosure of an additional 150 names.

In the United States, the Internal Revenue Service said yesterday it still expects the Swiss to honor the agreement.

"The United States and Swiss governments have an agreement to produce information on US account holders at UBS," the IRS said in a statement. "We understand that the Swiss courts issued a decision today, which we have not yet reviewed. We have every expectation that the Swiss government will continue to honor the terms of the agreement."

Concern that short-sellers accelerate stock declines may prompt the Securities and Exchange Commission to adopt a rule next month aimed at curbing bearish bets when equities are plunging.

The regulation would require the trades be executed above the best existing bid in the market when shares fall 10 percent in a day, said Brian Hyndman, the senior vice president in transaction services at Nasdaq OMX Group Inc. In a short sale, an investor borrows an asset and sells it, hoping to profit from a decrease by repurchasing it later at a lower price.

Forcing short sellers to wait for a stock to rise above the best price bid may prevent them from flooding the market with sell orders and causing losses to multiply. Some exchange officials say the restrictions known as uptick rules don't work, citing studies that show they may be less effective during panics that drive prices down and volatility up.

"There is no empirical data to support the introduction of a new rule," Hyndman said yesterday at a securities industry conference in Chicago. "But this is the least intrusive of the proposals the SEC was considering."

Hyndman expects the SEC to adopt a so-called alternative uptick rule that includes a 10 percent trigger, changing regulations that were eliminated from U.S. markets in 2007. The commission asked the public last April to comment on strategies to cushion the impact of short selling following criticism that hedge funds and other speculators used trading tactics to deepen market retreats that began in 2008.

Tishman Speyer Properties LP and BlackRock Inc. ceded control of Stuyvesant Town-Peter Cooper Village, New York's largest apartment complex, to lenders after its value plummeted and the owners were prevented from raising rents.

Tishman, which bought the 80-acre property with BlackRock Realty Inc. in 2006 for \$5.4 billion, missed a \$16.1 million debt payment on Jan. 8. Gramercy Capital Corp., which holds some of the debt, asked to have Tishman removed as manager of the buildings, three people familiar with the matter said last week.

"We make this decision as we feel a battle over the property or a contested bankruptcy proceeding is not in the long-term interest of the property, its residents, our partnership or the city," Tishman and BlackRock said in an e-mailed statement today.

The New York-based investors bought the developments from insurer MetLife Inc. near the top of the market with plans to remodel and raise the cost of rent-regulated units to market rates. On Oct. 22, the New York Court of Appeals in Albany ruled that increases on about 4,350 apartments were illegal. That month, Fitch Ratings valued the property at \$1.8 billion.

A default involving the 11,200-apartment complex would be the second largest for a commercial mortgage-backed security, behind the \$4.1 billion default by Extended Stay America Inc. hotels last year, according to Fitch.

Existing home sales were 5.45M for December 2009, down from 6.54M sold in the previous month. This result represents a 16.7% decrease in existing home sales during the final two months of last year and is below market forecasts of 5.95M homes sold.

Sam's Club, the warehouse club division of Wal-Mart Stores Inc is cutting roughly 11,200 jobs, or about 10 percent of its workforce, as it outsources in-store product demonstrations and eliminates positions used to recruit new business members.

Treasury Secretary Tim Geithner, in a recent interview with Mike Allen of Politico warned that the financial markets could react negatively if Fed Chairman Ben Bernanke isn't confirmed for a second term. (READ Politico's full story here.)

Geithner suggested that the market would see a failed Bernanke confirmation as "very troubling," but claimed that he was "very confident" Bernanke would receive enough Senate votes to win a second term.

Memo to Tim Geithner: the stock market has lost any real reflection of the economy as a whole. And by making this threat, you have reconfirmed to We the People that we are not living in a democracy, but in a plutocratic "thugocracy".

And Tim, if you don't believe me, talk to any one of the SAM'S CLUB employees who just got laid off this last weekend. (Of course, you won't; in your ivory-towered life, you probably don't even speak to people who toil lots of hours for low wages).

The only people profiting right now are the large banking institutions like GOLDMAN SACHS. Geithner's confirmation will mean absolutely nothing to those taxpaying citizens, those people who are, according to your characterization, "incredibly angry and frustrated by the damage this crisis caused, and as to the following statement:

In the second portion of the interview, Geithner said that the financial rescue program which "was designed to bring capital back into the financial system so banks could lend again" was "remarkably successful. Remarkably successful, my astrolabe! Tim, you really need to get out more.

When was the last time you talked to a developer, whose line of credit just got yanked for no damned good reason, or can't get funding at an interest rate which makes it possible for them to get a decent return on investment?

The Fed itself should be abolished, as it has brought no real value to We the Taxpayers. The government of the US can - and should - be creating its own currency.

The Federal Housing Administration is raising insurance rates and tightening credit-score rules to combat a rise in delinquencies, making a government-guaranteed mortgage more expensive for U.S. homebuyers. The premiums FHA charges to insure mortgages will rise to 2.25% from 1.75% this year. Borrowers who have credit scores below 580 will also have to make down payments of at least 10%, and allowable seller concessions will be cut by half.

The U.S. housing market has been kept alive by low interest rates, cheaper homes, a homebuyer tax credit, FHA-related lending and financing initiatives through Fannie Mae and Freddie Mac. The FHA, along with federally controlled finance companies Fannie Mae and Freddie Mac, accounted for more than 90% of all U.S. home loans in the first half of 2009. The FHA's net capital ratio fell to 0.53% in the year ended in September, from 3% in fiscal 2008 and 6.4% in 2007. this is political. If they follow these guidelines the residential real state market will fall further

Sales of commercial mortgage-backed securities will likely remain below \$15 billion in 2010 as borrowers struggle with declining property values, according to analysts... Debt sales backed by skyscraper, hotel and shopping mall loans may be as low as \$10 billion this year, according to Alan Todd, a JPMorgan analyst.

Apartment rents and occupancies declined throughout the U.S. West and South in the fourth quarter. The average asking rent fell to \$933 from \$965 in the third quarter and \$994 a year earlier, according to RealFacts, which surveyed owners of more than 12,600 apartment complexes. The average occupancy rate dropped to 91.3% from 91.7% in the third quarter and 92.2% in the prior-year period.

Hedge funds' best year in a decade is giving little comfort to Jason D. Papastavrou. The founder of New York-based ARIS Capital Management LLC, which has about \$250 million invested in hedge funds, is still waiting to get back \$155 million from 22 managers that restricted withdrawals in 2008. 'We don't object to the illiquidity,' Papastavrou said. 'We object to how some managers are abusing the situation and holding investors' money hostage to generate fees.

The White House said yesterday it has damped down a political revolt against Ben Bernanke and now has the votes to secure the Federal Reserve Chairman's second four-year term.

The Democrats loudest complaint, moreover, is that Mr. Bernanke and the Fed haven't been easy enough in printing money. Majority Leader Harry Reid declared his support for Mr. Bernanke on Friday, but not before extracting what he said were concessions about future Fed policy.

The Fed chief promised, said Mr. Reid, that he would redouble his efforts to make credit available and that Mr. Bernanke has assured me that he will soon outline plans for making that happen, and I eagerly await them.

Redouble? The Fed has already kept interest rates at near zero for more than a year, and it is buying \$1.25 trillion in mortgage-backed securities to refloat the housing bubble, among other interventions into fiscal policy and credit allocation. Is the Fed going to buy another \$1.25 trillion, or promise to keep rates at zero for another 14 months?

Mr. Reid's declaration of a confirmation quid pro quo will not reassure global investors who already fear that the Fed lacks the political will to withdraw its historic post-crisis liquidity binge soon enough to avoid new asset bubbles.

The next Fed chairman is going to need the market credibility, and the political support, to raise interest rates when much of Congress and Wall Street will be telling him to stay at zero. That is the real reason to oppose a second term for Chairman Bernanke.

No matter how it plays out, Ben Bernanke's bruising confirmation battle has damaged the U.S. Federal Reserve's clout and perceived independence. Even if the Senate backs Mr. Bernanke this week, he won't speak with the same authority and the Fed will have a harder time casting itself as above partisan politics.

Mr. Bernanke has been a lightning rod for public anger over the bailout of the banking system and the rescue of insurer American International Group. It is time for Main Street to have a champion at the Fed, said Sen. Boxer, who is seen as a potential victim of the voter unrest.

Our next Federal Reserve chairman must represent a clean break from the failed policies of the past. I think if you wanted to send the worst signal to the markets right now in the country and send us in a tailspin, it would be to reject this nomination, said Bernanke backer Christopher Dodd, a Connecticut Democrat who chairs the Senate Banking Com.

Warren Buffett, when asked in a CNBC interview this week what would happen if Mr. Bernanke weren't confirmed, said, Well, just tell me a day ahead of time so I can sell some stocks.

Dodd, Schumer, Durbin (D-IL) and other senators that are beholden to banksters are trying to save Ben. Dodd is playing the financial terrorism card; but the average American is inured to that threat and doesn't care if the stock market craters. The big rally of 2009 plus the bigger rally of 2003 to 2007 did little to halt the assault on US income and living standards.

Buffett just broke his record for hypocrisy. Last week he said he isn't concerned about BNI and rails facing a tough year because he's in for the long haul. In fact hasn't that always been Warren's mantra?

Now, because he has doubled down and has huge exposure to financials, he's talking about selling stocks if Ben isn't reappointed.

As we stated last week, anyone that was instrumental in the bailout of the big banks and AIG is not toxic.

Senators that haven't figured that out, and we know how obdurate some are, will pay dearly in November. Politics will remain an important consideration for investors and traders. US public ire has lit the fuse in DC so various and sundry detonation will occur.

Congressional Democrats stunned out of silence by Scott Brown's victory in Massachusetts say they're done swallowing their anger with President Barack Obama and ready to go public with their gripes.

Hill Democrats are demanding that Obama's brain trust especially senior adviser David Axelrod and chief of staff Rahm Emanuel shelve their grand legislative ambitions to focus on the economic issues that will determine the fates of shaky Democratic majorities in both houses.

I haven't seen Rahm Emanuel except on television. We used to see him a lot; I'd like him to come out from behind his desk and meet with the common folk, added Pascrell

Last Friday there was more than just bank closings. The Commerce Department revised November Durable Goods Orders sharply lower, from +0.2% to -0.7%. The Ministry of Truth cited a "processing error" for the huge error -fraud-.

Timothy F. Geithner, who has denied that the financial condition of American International Group Inc.'s bank counterparties was a consideration in structuring the insurer's bailout, was told by a senior colleague that the rescue was a way to remove "uncertainty" for the firms.

Buying mortgage-linked assets from banks was better "from a financial-stability perspective" than other plans to shield AIG from losses on contracts guaranteeing the bonds, Margaret McConnell, then a Federal Reserve Bank of New York vice president, wrote in an e-mail to Geithner on Oct. 22, 2008. Geithner, now Treasury secretary, led the New York Fed at the time of AIG's rescue and McConnell's e-mail.

Economic activity in the Federal Reserve Bank of Richmond's district remained weak in January. According to a report from the bank Tuesday, its manufacturing index was -2, from -4 in December. The manufacturing shipments index was -2, from -6. Meanwhile, the January service sector revenues index was -9, from -9 the month before, while the retail sales revenue index was 1, after -18 in December.

Consumer confidence rose for the third consecutive month in January, according to a report released Tuesday.

The Conference Board, a private research group, said its index of consumer confidence increased to 55.9 in January from a revised 53.6 in December, which was originally reported as 52.9. The January reading was better than economists' projection of 54.0, according to a survey conducted by Dow Jones Newswires.

The present situation index, a gauge of consumers' assessment of current economic conditions, rose almost five points to 25.0 from a revised 20.2, first reported as 18.8. Consumer expectations for economic activity over the next six months increased to 76.5 from a revised 75.9, first reported as 75.6.

Consumer confidence rose for the third consecutive month, primarily the result of an improvement in present-day conditions,” said Lynn Franco, director of the Conference Board Consumer Research Center. “Consumers’ short-term outlook, while moderately more positive, does not suggest any significant pickup in activity in coming months.

Sentiment about the current labor markets improved in January. The percentage who think jobs are “hard to get” fell to 47.4% from December’s 48.1%. And those who think jobs are “plentiful” rose to 4.3%, from 3.1%.

The employment outlook showed signs of expected stability. The percentage of consumers expecting more jobs in the months ahead fell to 15.5% from 16.4% in December, while those expecting fewer jobs fell to 18.9% from 20.6%. But those expecting the same number of jobs in the next six months rose to 65.6% from 63.0% in December.

The International Council of Shopping Centers and Goldman Sachs Retail Chain Store Sales Index fell 2.5% in the week ended Saturday from the week before on a seasonally adjusted, comparable-store basis.

The drop continues the trend of January volatility that can be affected by small swings because of low sales volumes, ICSC said.

Small shifts due to weather or inventory or other factors can amplify the weekly sales pace, ICSC chief economist Michael Niemira said. This has been the case over the last four weeks, with wide swings on a week-over-week basis.

Last week, ICSC said consumers were continuing to look for deals after the holidays. Niemira also reiterated that January industrywide comparable-store sales are likely to be flat to up 1%.

On a year-on-year basis, the reading rose 1.9% last week.

Home prices in 20 U.S. cities rose in November for the sixth consecutive month, signaling the industry that precipitated the worst recession since the 1930s is stabilizing.

The S&P/Case-Shiller home-price index increased 0.2 percent from the prior month on a seasonally adjusted basis, after a 0.3 percent rise in October, the group said today in New York. The gauge was down 5.3 percent from November 2008, exceeding expectations and the smallest year-over-year decline in two years.

Verizon Communications Inc., the second-largest U.S. phone company, plans to cut more than 10,000 jobs at its fixed-line unit this year after posting fourth- quarter sales that missed analysts’ estimates.

The company plan to keep cuts at the same level as last year, when it reduced 13,000 positions, or about 9 percent of the unit’s workforce, Chief Financial Officer John Killian said on a conference call today. The business had about 117,000 workers at year-end.

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