

December 31, 2005

Compliments of the Ottawa Citizen

Federal unions seek \$30 billion from Ottawa by Kathryn May**December 31, 2005**

Compliments of Barron's

An excerpt from Alan Abelson's great column...

"Essentially, what presidents do is the reverse of the old Wall Street con game of pump and dump. That is, they first dump on the economy and then opportunistically strive to pump it up with every means, fair or foul, at their disposal.

On this score, Bob Bronson, who rubs his crystal ball for a Denver outfit called Investment Forecasting & Management (he does the forecasting and Anne Yates, president, does the management), observes it's no accident the market usually bottoms out in the second year of a president's occupancy of the White House, a month or so before the midterm elections.

The exception to the general run of Street clairvoyant, Bob contends that the four-year presidential-election cycle is tied to fundamentals. And the key driver is fear of a palpable economic slowdown or recession. Casting his gaze back over the past 13 recessions since 1929, he notes that nine -- or 69% of the total -- started in the first year of a presidential term and most persisted deep into the second year and often longer.

We suspect it won't exactly shock you to hear that Bob's growlingly bearish on the stock market and the economy. He reckons the economy may already be starting to roll over. And he opines that the historical pattern suggests roughly a 35% drop in the stock market from its '05 high, which would send the S&P 500 careering down to around 830.

But don't be alarmed, please. Even to these receptive ears, that sounds a tad too negative. Much as we hate to take issue with the manifestly scholarly Bob Bronson, our own conviction, based on careful consideration and inspired by the holiday spirit, is that the S&P 500 won't break 850."

December 30, 2005

The two paragraphs below are from a fascinating and shocking piece by Robert McHugh.

What's the Fed Up To With the Money Supply?
by Robert McHugh

So what about M-3 the past week? The latest figures show that on a seasonally adjusted basis, M-3 rose 27.3 billion last week, a 14.0 percent annualized clip, and is up \$76 billion over the past month, a 9.8 percent growth rate. But those are the massaged numbers. For the raw figures, fasten your seat belt. Are you ready? M-3 was increased \$58.7 billion last week (that does not include the huge Repo infusions noted above), a 30.0 percent annualized rate of growth. For the past two week, the Fed added \$93.5 billion to the money supply, a 24.0 percent annual clip. Over the past 6 weeks it is up \$192.9 billion, a 16.7 percent Banana Republic hyper-inflationary pace. This is nuts, folks - unless there is an incredible risk out there we are not being told about. That is a lot of money for the Plunge Protection Team's arsenal to buy markets - stocks, bonds, currencies, whatever. This level of irresponsible money supply growth makes shorting markets hazardous, yet at the same time says markets are at huge risk of declining. Maybe M-3 growth doesn't stop the decline this time. Should be a fascinating storm in 2006.

The recent rise in Gold catalogued 74 points over about a month, a 16 percent rally from precisely the day the Fed announced it would hide M-3 from taxpayers and citizens of this great nation. That is no coincidence. Gold sees hyper-inflation, monetization of debt, and intervention into free markets. Gold is telling us it expects Ben Bernanke to be an inflationist.

December 27, 2005

Compliments of Forbes Magazine ...
An excerpt from an editorial by Steve Forbes

"Alan Greenspan will have left town by the time his inflationary blunders become all too evident. Greenspan & Co. started to turn out excess money more than a year ago. . . . The Fed's blunder is a shame. The economy's fundamentals are astonishingly strong -- productivity gains of historic proportions, low inventories, growing capital spending and very sound consumer balance sheets (media myths to the contrary).

"Ben Bernanke, Greenspan's about-to-be-successor, disdains gold as both an indicator and a guide to monetary policy; he won't be prepared for what's going to hit him. He'll look at the Fed's multitudinous measures of money and conclude they haven't grown enough to cause inflation. . No one has taught him that he can't just look at supply -- he also has to look at demand. The world is flush with liquidity. US corporations have nearly \$2 trillion in cash, a record high in absolute terms and proportionally. Banks, insurance companies equity funds, venture capitalists, hedge funds -- all are desperately looking for investment opportunities. They have more money than they can profitably, prudently, put to work. Bernanke's explanation for the events that are about to unfold will be interesting. Will he blame Arab sheikhs?

Rapacious corporations? Budget deficits? Trade deficits? Hedge funds? Sunspots? Or will he have the courage, the understanding, to point the finger at the institution that he will soon be piloting?

"Given his statements that gold is an obsolete, if not destructive, guide to monetary policy, Bernanke is not likely to recognize the inflation problem until it hits him -- and the economy -- square in the face. A year from now Greenspan's successor may, unfairly, resemble the ill-starred G. William Miller, whom Jimmy Carter appointed to head the Fed in December 1977 and who proceeded to stoke inflation to record highs.

"Bernanke should let short-term interest rates float and simply mop up the excess liquidity until the price of gold comes down to a tad below \$400 an ounce, a price still above the average of the past ten years. Sadly, such a timely, sensible approach is so beyond Bernanke's mind-set -- not to mention that of most other economist and policy-makers -- that he'll never do it.

"Like booze at a party, easy money should make for a good economic year. The morning-after headaches will start being felt by next Christmas."

December 25, 2005

Compliments of Barron's

The Year Santa Came in October by Kopin Tan

December 25, 2005

Compliments of Barron's

Bullish and Fully Fueled... Interview with Kurt Wulff, Founder, McDep Associates
by Sandra Ward

December 25, 2005

Compliments of Barron's

Something for Everyone by Alan Abelson's .

December 25, 2005

Compliments of Barron's

Golden Opportunity? by Robin Goldwyn Blumenthal

December 23, 2005

Compliments of MacroMavens

The Eerie Calm Before a New Fed Chief by Stephanie Pomboy

December 22, 2005

Compliments of Bloomberg News

(Commentary. Caroline Baum, author of ``Just What I Said," is a columnist for Bloomberg News. The opinions expressed are her own.)

By Caroline Baum

Dec. 21 (Bloomberg) -- Another year, another humiliation at the hands of the U.S. dollar, another opportunity to wipe the slate clean and look forward to 2006.

Alas, there are no big ideas -- only big paychecks -- wafting through Wall Street. Washington is equally bereft. President George W. Bush enters the second year of his second term with his two key initiatives -- Social Security and tax reform -- dead on the vine.

The markets will have a new Federal Reserve Chairman to break in on Feb. 1, when Ben Bernanke slips into Alan Greenspan's once-presumed hard-to-fill shoes. While the two men have a different take on what it means to be transparent, as a practical matter investors will notice little change on the policy front initially.

So what's a columnist to do for a year-end piece? Why, check in with that charming curmudgeon, Dr. I.C. Clearie, to get an earful of his quirky and often unconventional views.

CB: I.C., thanks so much for taking time out of your busy schedule to share your views with me.

IC: Have you seen me quoted anywhere in the last decade? There's not much demand for Roosevelt-era economists nowadays. Every once in a while Doris Kearns Goodwin calls, but that's about it.

Bubble Talk

CB: Since you mentioned the presidency, let's start there. What do you think about President George W. Bush's bold attempt to reform Social Security and the tax code?

IC: Attempt? You don't get points in government for attempts, or even ideas. You want ideas, go to a think tank. The president gets points for getting things done. His effort adds up to a big goose egg on my scoreboard.

CB: I.C., the last time we talked, in December 1999, you correctly predicted a nasty end to the Nasdaq bubble. Fast-forward six years, and the focus is on a potential bubble in housing. Do you think it's a bubble? Do you see signs of cooling?

IC: Some cooling, yes. But my imputed service-provider responder model says it's nowhere near cold yet.

CB: Imputed service-provider responder model? Something tells me that's one of your proprietary indicators.

Responder Model

IC: It is. The Bureau of Labor Statistics uses imputed rents to measure housing costs in the consumer price index. To measure the strength of housing demand, I determine the length of time required to get a contractor, plumber or painter to return your call. Then I adjust the results for the quality of work performed and time it takes to complete the project.

CB: Speaking of the CPI, do you see inflation as well-contained, as Greenspan says, or threatening, as the price of gold would seem to indicate?

IC: There's no inflation.

CB: Right. We live in a globalized economy where the U.S.'s potential growth is no longer circumscribed by our domestic labor supply or domestic industrial capacity. Almost everything can be outsourced to areas of the world where there is excess capacity...

Rooting Out Inflation

IC: Stop yammering. There's no inflation because of the way statisticians define it and the way indexes have been redesigned to measure it. Inflation can't accelerate. If it does, we can eradicate it by ex-ing out the offending component.

You don't think it's a coincidence the Fed prefers the core market-based personal consumption expenditures price index, the measure that happens to portray inflation in the most favorable

light?

Inflation is a monetary phenomenon; don't you forget it. The Fed believes the money supply has no place in policy. That way, Greenspan doesn't ever have to accept responsibility for the results of excess money creation, be it unhinged asset prices or inflation.

CB: I see. Every year the American consumer sinks deeper into debt. Yet he keeps defying predictions of his imminent demise. Do you think consumers will open their wallets this holiday season?

Impulse Buyers

IC: Of course they will. They do every year. We waste so much time surveying consumers on their spending plans when all you really need to understand is the Costco conceit.

CB: Costco conceit? What do you mean?

IC: Costco is the home of the impulse purchase. You go in to buy paper towels and come out with a Barcalounger massage chair. You never knew such a device existed, no less had a desire to own one, until you saw the price tag, and your name was on it! Costco understands the consumer can't resist a good deal.

CB: Getting back to the Fed, do you think there will be a significant change when the chairmanship passes from Greenspan to Bernanke? What do you see as Greenspan's legacy?

IC: Greenspan will get a big advance and write a book. That will be his legacy.

Auto-Legacy

CB: The book? After 18 years as Fed chairman -- he was toasted as the greatest central banker whoever lived -- his legacy will be a book?

IC: No silly. His book will shape his legacy. He'll have to promise to give away a few secrets to give it some cachet. Hillary Clinton got \$8 million and barely showed us anything above the knee.

If Bob Woodward can make ``Maestro" stick, imagine what Greenspan can do to promote himself. My only advice to him would be, given his convoluted and contorted prose: think about getting a ghostwriter.

CB: I'm available for a considerable period and would like to be

accommodative.

December 21, 2005

Compliments of PIMCO

MEW Drag by Paul McCulley

December 21, 2005

Compliments of the New York Times
That Blur? It's China, Moving Up in the Pack
By DAVID BARBOZA and DANIEL ALTMAN

December 20, 2005

Is there gas in La Belle Province? by Claudia Cataneo

December 19, 2005

There Is No Gold by Eric Sprott, CA and Sasha Solunac, CFA

December 16, 2005

Compliments of Boston.com

Romney's White House ambitions more than just a beltway pipe dream

By Steve LeBlanc

December 16, 2005

Compliments of Welling@Weeden

Brave New World or Bust

Kate Welling talks with Louis-Vincent Gave and Marc Faber

December 10, 2005

Compliments of Barron's

Extreme Contrarianism by David Ranson and Penny Russell

December 10, 2005

As always, thanks to Dr. Bob.. JB, a good letter from Faber :

U.S. Money Printing to Continue! by Dr. Marc Faber

December 10, 2005

Compliments of Barron's

An interesting excerpt from Alan Abelson's great column...

Up and Down Wall Street

December 6, 2005

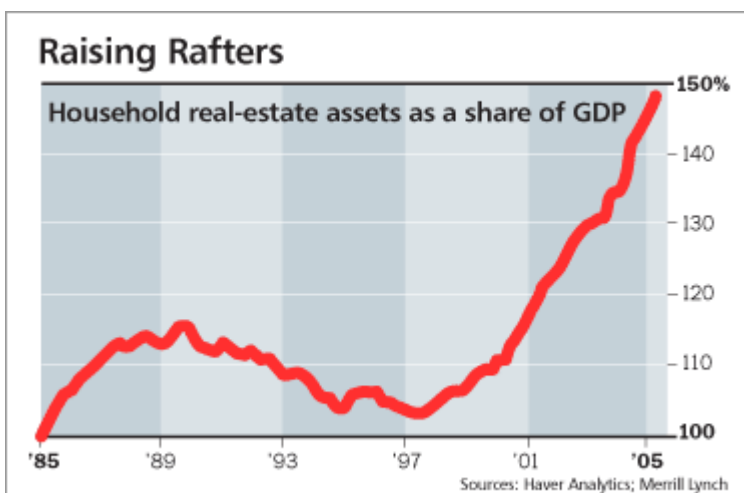
Compliments of the Financial Post

Time for OSC to get priorities in order by Barry Critchley

December 4, 2005

Compliments of Barron's

An interesting excerpt from Alan Abelson's great column...**Dubya's Dilemma**



December 3, 2005

Compliments of The New York Times...

Greenspan Points to Danger of Rising Budget Deficits by Heather Timmons

December 3, 2005

Empire of Debt by John Mauldin

December 2, 2005

Compliments of PrudentBear.com
Credit Bubble Bulletin...

Bill and Paul's Wild Analytical Adventure by Doug Noland

December 1, 2005

Compliments of Hedge World's Inside Edge

Peregrine Exec Finds New Challenge by Christopher Faille

December 1, 2005

As always, thanks to Dr. Bob.. Compliments of ContraryInvestor.com

The Times They Are (About To Be) A Changin'