

ALL I KNOW ABOUT THE MARKET I LEARN FROM BARRON'S

Don Gimpel

July 2011

Consensus Estimates

Consensus Estimate

Day	Time	Item	Consensus Est	Last Period
T	10:00	May Factory Orders	1.0%	-1.2%
F	8:30	June Nonfarm Payrolls	100,000	54,000
	8:30	June Unemployment Rate	9.1%	9.1%
	10:00	May Wholesale Inventories	0.7%	0.8%
	3:00	May Consumer Credit	\$3.50 bil	\$6.25 bil

The best Index of them all!

S & P 100 Index	569.20	576.11	581.05	587.31	595.25
500	1280.10	1296.67	1307.41	1320.64	1339.67
Ind.	1696.63	1722.08	1732.66	1752.61	1776.82
MidCap	950.34	964.88	972.23	978.64	995.05
SmallCap	431.66	438.03	439.67	444.69	451.92
Value Line(A)	2932.78	2974.01	2989.61	3018.37	3065.47
Value Line(G)	372.90	378.09	380.02	383.64	389.58

If you have a good trading system:

Nasdaq Cmp	2688.28	2729.31	2740.49	2773.52	2816.03
100 Index	2252.24	2285.75	2294.43	2325.07	2361.39
Indus.	2340.80	2383.26	2400.54	2429.74	2471.51

S&P 500 Index P/Es & YIELDS

S & P 500 Index	1339.67
P/E Ratio	16.44
Earns Yield %	6.08
Earns \$	81.47
Divs Yield %	1.97
Divs \$	26.39
Mkt to Book	2.61
Book Value \$	513.58

How Investors feel and why it doesn't matter

INVESTOR SENTIMENT READINGS

High bullish readings in the Consensus stock index or in the Market Vane stock index usually are signs of Market tops; low ones, market bottoms.

	Last Week	2 Weeks Ago.	3 Weeks Ago
Consensus Index			
Consensus Bullish Sentiment	39%	44%	46%

Source: Consensus Inc., P.O. Box 520526, Independence, Mo.
Historical data available at (800) 383-1441. editor@consensus-inc.com

AAll Index

Bullish	38.3%	37.5%	29.0%
Bearish	30.2	35.7	42.8
Neutral	31.5	26.8	28.3

Consumer confidence:

WEEKLY BARRON'S C.I./YIELD GAP

The weekly Barron's Confidence Index is a ratio of the average yield-to-maturity of the Best-Grade bond list compared to the average yield-to-maturity of the Intermediate Grade bond list. The ratio is higher and the bond yield spread narrower as the confidence index rises when investors are confident about the market. The ratio is lower when the intermediate grade average bond yield is rising faster, or at least, falling more slowly than the best-grade bonds. A falling confidence index reflects decreasing confidence in the market. The weekly yield gap reflects the spread between the Barron's Best Grade Bonds yield-to-maturity and the Dow Jones Industrial Average dividend yield.

Week Ended		Conf. Index	Intrm. Bonds	Best Grade	DJI Yield	Yield Gap
2011						
July	1	78.8	6.40	5.05	2.39	-2.66
June	24	77.1	6.25	4.82	2.51	-2.31
	17	77.1	6.22	4.79	2.50	-2.29
	10	77.7	6.23	4.84	2.50	-2.34
May	3	77.5	6.22	4.82	2.45	-2.37
	27	79.8	6.16	4.92	2.40	-2.52
	20	79.0	6.17	4.87	2.38	-2.49
	13	78.8	6.24	4.91	2.35	-2.56
	6	78.3	6.20	4.86	2.34	-2.52

Looking for an inversion ... why?

Adjustable Mortgage Base Rates

	Jul.1	Jun.24	Yr. Ago	YOY % Chg
1 Year Treas Bills	0.17	0.18	0.29	-41.38
2 Year Treas Notes	0.37	0.40	0.69	-46.38
3 Year Treas Notes	0.65	0.71	1.13	-42.48
5 Year Treas Notes	1.52	1.58	1.96	-22.45
10 Year Treas Notes	2.96	2.99	3.17	-6.62
20 Year Treas Bds	3.87	3.90	3.92	-1.28
11th District % May	1.36	1.359	1.791	-24.06
FHFB Contract Rate	4.74	4.80	4.99	-5.01
SAIF Cost-of-Funds	1.39	1.39	1.83	-24.04

CBOE Put/Call Ratio:

WEEKLY CBOE PUT/CALL RATIO

Investors rely on the equity put-call ratio, which tends to track individual trades, and the index put-call ratio, which reflects professional and institutional strategies, as contrary sentiment indicators. The higher the put trading, the more bullish the indication and vice-versa.

Week Ended	S & P 100 Index			CBOE Equity			
	Puts	calls	Ratio	Puts	Calls	Ratio	
2011							
June	24	76,301	49,563	1.54	2,941,622	4,845,994	0.61
	17	139,218	98,031	1.42	4,399,993	4,712,664	0.93
	10	99,603	61,101	1.63	3,863,710	4,470,284	0.86
	3	74,195	42,742	1.74	2,459,010	3,547,599	0.69

The Wonderful PMI:

Orders

Durable goods, (bil. \$)	May	195.6	r192.0	192.5
Factory orders, backlog (mil. \$)	Apr	850.72	r848.20	800.95
New factory orders, (bil. \$)	Apr	440.37	r445.84	419.06
Nondurable goods orders, (bil. \$)	Apr	250.12	r248.51	225.03
Purchasing management index	Jun	55.3	53.5	55.3

What's with manufacturing?

MANUFACTURING AT A GLANCE						
JUNE 2011						
Index	Series Index Jun	Series Index May	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI	55.3	53.5	+1.8	Growing	Faster	23
New Orders	51.6	51.0	+0.6	Growing	Faster	24
Production	54.5	54.0	+0.5	Growing	Faster	25
Employment	59.9	58.2	+1.7	Growing	Faster	21
Supplier Deliveries	56.3	55.7	+0.6	Slowing	Faster	25
Inventories	54.1	48.7	+5.4	Growing	From Contracting	1
Customers' Inventories	47.0	39.5	+7.5	Too Low	Slower	27
Prices	68.0	76.5	-8.5	Increasing	Slower	24
Backlog of Orders	49.0	50.5	-1.5	Contracting	From Growing	1
Exports	53.5	55.0	-1.5	Growing	Slower	24
Imports	51.0	54.5	-3.5	Growing	Slower	22
OVERALL ECONOMY				Growing	Faster	25
Manufacturing Sector				Growing	Faster	23

Where can you find it?

This is the Institute of Supply Management Report (ISM) and it can be found at:

<http://www.ism.ws/ISMReport/MfgROB.cfm?nav/ItemNumber-12942>

It's designed to be easy to read and understand and it reports on the status of manufacturing.

Employment:

Employment

Civil labor force, (thous.)	May	153,693	153,421	154,237	-0.35
Employed, (thous.)	May	139,779	139,674	139,353	0.31
Employment cost index	1st Qtr	116.6	116.2	114.5	1.83
All non-farm payrolls, (thous.)	May	131,043	r130,989	130,173	0.67
Government payrolls, (thous.)	May	22,127	r22,156	22,980	-3.71
Goods prod payrolls, (thous.)	May	17,997	r17,994	17,763	1.32
Initial jobless claims	▶ Jun 25	428,000	429,000	472,000	-9.32
Continuing claims (mil.)	▶ Jun 18	4	r3.714	5	-19.43
Service payrolls, (thous.)	May	113,046	r112,995	112,410	0.57
Unemployment rate, %	May	9.1	9.0	9.6	-5.21
Unemployed, (thous.)	May	13,914	13,747	14,884	-6.52
Avg. wks duration unemploy	May	39.7	38.3	34.3	15.74
U-6 employment - Seasonally Adjsuted	May	15.8	15.9	16.5	-4.24
Help Wanted Online -Ads (thous.)	▶ Jun	4371.5	4471.2	3616.4	20.88
Small Business Optimism Index	May	90.9	91.2	92.2	-1.41

Inflation and Capacity Utilization:

Economic Growth and Investment

Durable manufacturing (NAICS) a	May	91.0	r90.5	89.3
Capacity utilization %	May	76.7	r76.7	74.1
Gross domestic product	1st Qtr	1.9	3.1	3.7
Industrial output a	May	93.0	r92.9	92.5
Manufacturing (NAICS) a	May	90.8	r90.4	90.6
Nondurable manufacturing (NAICS) a	May	90.9	r90.6	92.3
Personal income, (bil. \$)	▶ May	13,063	r13,027.1	12,498
Personal Savings Rate, St.Louis Fed	▶ May	5	5	6
All fixed investment, (bil. \$)	1st Qtr	1,742.8	1,737.3	1,630.5
Non-residential investment, (bil. \$)	1st Qtr	1,421.0	1,413.9	1,302.9
Residential investment, (bil. \$)	1st Qtr	324.3	325.9	330.7

Inflation:

Inflation

JOC-ECRI Industrial Price Index f	▶ Jul 1	137.41	136.80	111.60
Consumer price index b (unadjusted)	May	226.0	224.9	218.2
Gross domestic product deflator	1st Qtr	2.0	0.4	1.0
Producer price index (finished goods) c	May	191.7	191.3	179.3
Rate of inflation, % (annual, unadjusted)	May	3.6	3.2	2.0

What has this to do with gold?

Year and quarter	Output per hour of all persons	Output	Hours of all persons

		Percent change from previous	
2011 I	1.8 r	3.2 r	1.4
2010 ANNUAL	3.9	3.7	-0.2

Where can it be found?

You can find the output per hour at:

<http://www.bls.gov/news.release/ppod2t02.htm>

What about trade?

Trade					
Balance of payments (including services), (bil \$)		-119.3	r-112.2	-118.3	0.85
Exports	1st Qtr	1,746.2	1,714.3	1,616.4	8.03
Imports	1st Qtr	2,138.6	2,112.0	1,954.8	9.40
Merchandise trade balance (bil \$)	Apr	-58.1	r-61.1	-54.3	7.00

The Housing Indicator:

Construction

Building contracts, F.W. Dodge, (bil. \$)	May	376.09	r398.77	395.85
Construction spending, (bil. \$)	▶ May	753.5	r757.9	811.2
New housing permits, (thous. units)	May	612	r563	582
New housing starts, (thous. units)	May	560	r541	580
Non-residential spending, SA (bil. \$)	▶ May	248.3	r245.4	261.5
Public spending, (bil. \$)	▶ May	276.3	r278.6	304.5
Residential spending, (bil. \$)	▶ May	237.3	r242.5	255.0
Home Price Index S & P Case-Shiller - Comp. 10 (SA)	▶ Apr	154.66	r154.65	159.53

Something useful for you:

QUESTION	LOCATION	COMMENTS
Advice, investing, what works	http://www.cxoadvisory.com/what-investing-approach-works-best/	CXO Advisory Group provides advice on which investment strategies work best.
Advice, must read	http://www.cxoadvisory.com/investing-demons/	Valuable results of investing research. A must read for any investor.
Asset Allocation, calculator	http://www.wolframalpha.com Enter market codes for up to 4 assets then page down to box labeled Mean-variance optimal portfolio. Review Return vs. Risk chart and the portfolio weighting just above.	For an example, try GLD FNMIX VGSIX NTHX The procedure will calculate the portfolio's asset allocation for The Efficient Portfolio which is also known as the Corner Portfolio, the highest return that can be achieved.
Bonds, when to buy	Market Laboratory/Indicators/Money Rates/Fed Funds Rate	The second rise in the FFR after a bottom in the rate is considered a positive sign for Bonds.
Bonds, High-Yield, signals	Saturday's Los Angeles Times/Financial Section/Daily Market Roundup/ Interest Rates/Junk Bonds	If the spread between the High Yield Bonds yield and 10-Year treasury is >5, invest in High Yields. If the spread falls below 3.0, sell. Buy when the spread rises above 5.0.
Business Optimism Index	Market Laboratory/Indicators/Employment/Small Business Optimism Index	

What does the Fed think?



The Federal Reserve Board

The
BEIGE
BOOK

December 1, 2010

Summary

Summary

Districts

[Boston](#)

[New York](#)

[Philadelphia](#)

[Cleveland](#)

[Richmond](#)

[Atlanta](#)

[Chicago](#)

[St. Louis](#)

[Minneapolis](#)

[Kansas City](#)

[Dallas](#)

[San Francisco](#)

[Full report](#)

Prepared by the Federal Reserve Bank of Cleveland based on information collected on or before November 19, 2010. This document summarizes comments received from business and other contacts outside the Federal Reserve and is not a commentary on the views of Federal Reserve officials.

Reports from the twelve Federal Reserve Districts indicate that the economy continued to improve, on balance, during the reporting period from early/mid-October to mid-November. Economic activity in the Boston, Cleveland, Atlanta, Dallas, and San Francisco Districts increased at a slight to modest pace, while a somewhat stronger pace of economic activity was seen in New York, Richmond, Chicago, Minneapolis, and Kansas City. Philadelphia and St. Louis reported business conditions as mixed.

Manufacturing activity continued to expand in almost all Districts, with relatively strong growth seen in metal fabrication and the automotive industries. Reports also showed steady to increasing activity for professional and nonfinancial services. Two Districts noted a decline in demand from government agencies due to budgetary shortfalls. Reports on consumer spending tended to be positive.

WolframAlpha - a treasure:

Mean-variance optimal portfolio:

	weight	shares	cost
FN MIX	18.23%	11 429	\$ 182 300
IBM	15.22%	872	\$ 152 200
SEQUX	14.17%	971	\$ 141 700
SP500	13.05%	974	\$ 130 400
bonds	19.88%	199	\$ 199 000
T-bills	19.46%	195	\$ 195 000

Ranking opportunities:

Fundamentals and financials:

	IBM	Sony	General Electric
P/E ratio	14.44	33.52	16
price / book	9.899	62.58	1.777
price / sales	2.374	24.73	1.336
price / free cash flow	14.34	335.3	7.215
return on equity	<u>+64.94%</u>	<u>-9.42%</u>	<u>+9.6%</u>
return on assets	<u>+13.33%</u>	<u>-2.01%</u>	<u>+1.48%</u>
leverage	4.983	5.073	5.892
current ratio	1.177	0.9314	3.058
debt / capital	0.4896	0.2417	0.7195
net profit margin	<u>+11.63%</u>	<u>-16.43%</u>	<u>+8.73%</u>

Source Material:

BARRON'S

Login: Password:

Remember Me [Log In](#)

[Forgot your login or password?](#) [Subscribe](#)

[Home](#) [Magazine](#) [Daily Analysis](#) [Blogs & Columns](#) [Investing Ideas](#) [Rankings & Reports](#) [Market Data](#) [Daily Stock Alert](#)

MONDAY, JULY 4, 2011

BARRON'S Services

[Subscribe to Online](#)

[Subscribe to Print](#)

[Customer Service](#)

[Contact Us](#)

[Advertise](#)

[Conferences](#)

[Digital Delivery](#)

[Reprints](#)

[Classified Ads](#)

DOW JONES Sites

[MarketWatch.com](#)

[The Wall Street
Journal Online](#)

[SmartMoney](#)

[Small Business](#)

[AllThingsD.com](#)

[FINS.com](#)

[Chinese WSJ.com](#)

PULSE OF THE ECONOMY

▶ - Indicates new report

Pulse Item	Latest Date	Latest Data	Preceding Period	Year Ago	Year over Year %Chg
Economic Growth and Investment					
Durable manufacturing (NAICS) a	May	91.0	r90.5	89.3	1.90
Capacity utilization %	May	76.7	r76.7	74.1	3.51
Gross domestic product	1st Qtr	1.9	3.1	3.7	-48.65
Industrial output a	May	93.0	r92.9	92.5	0.54
Manufacturing (NAICS) a	May	90.8	r90.4	90.6	0.22
Nondurable manufacturing (NAICS) a	May	90.9	r90.6	92.3	-1.52
Personal income, (bil. \$) ▶	May	13,063	r13,027.1	12,498	4.52
Personal Savings Rate, St.Louis Fed ▶	May	5	5	6	-20.63
All fixed investment, (bil. \$)	1st Qtr	1,742.8	1,737.3	1,630.5	6.89
Non-residential investment, (bil. \$)	1st Qtr	1,421.0	1,413.9	1,302.9	9.06
Residential investment, (bil. \$)	1st Qtr	324.3	325.9	330.7	-1.94

I'm throwing in a bonus:

- ✓ For being such a good audience today, I'm throwing in a bonus and that's Waterloo University's Professor Peter Ponzio's infamous Monte-Carlo based Retirement Calculator.
- ✓ It's an Excel spreadsheet available on the Chapter WEB site <http://www.AAILLosAngeles.org>. Look for Don's page. It's called MC-Stuff2
- ✓ Make some reasonable assumptions about income and expenses, start the calculations and watch as your projected estate random walks to zero and you are thrown on the tender mercies of your children. We end with that happy note.