

# THOUGHT FOR THURSDAY

By: Dr. Barry Kendall

## MARKETS IN REVIEW

Domestic markets last week posted their strongest numbers since the conclusion of 2009. In Tuesday's Perspective, TPI's CIO Shane Burke described how the "Bulls Were Running". The beginning of this week continues to support his position. With the exception of the Nasdaq, having had a losing day on Tuesday, all the other indicators have continued to be optimistic. Investors seem to have a newfound faith that central bankers and politicians will work together to keep the markets from falling into disarray.

## EMPLOYMENT STATISTICS

August's "zero" jobs report is a distant memory. One month later, that zero was revised up to a +57,000, and the next month it was revised up again to a +104,000. Reports headlined the nation's unemployment rate falling to a 2 1/2 year low of 8.6 percent in November, down from 9 percent a month earlier. In the past four months, civilian employment has jumped by 1.28 million – an average of 321,000 new jobs each month. During the same four months, the labor force has expanded by an average of 164,000 new entrants per month. In other words, the labor market is getting better on all fronts.

## EUROPEAN NEWS

After Monday's close, Standard & Poor's placed 15 countries, including Germany, on credit watch. This was due to "tightening credit conditions, the risk of recession, high debt levels, and continued disagreement among European officials about how to tackle the sovereign crisis." Some analysts have said the S&P comments might be positive, in that they might push European countries to generate a plan more quickly

Also on Monday, German Chancellor Angela Merkel and French President Nicolas Sarkozy met and announced intentions to change the EU treaty to allow for a tighter fiscal unity and oversight. This follows on the heels of the world's central bankers affirming their "superhero" status, averting what might have been a swift credit crisis by making it easier to move cash, specifically dollars, into Europe.

The joint German-French plan will be presented at the December 9<sup>th</sup> European Union summit. The prospective deal would have the 17 euro-zone countries cede to an EU authority power to block national budgetary measures that are deemed fiscally irresponsible. Merkel is quoted as saying, "where today we have agreements, we need in the future to have legally binding regulations." Merkel views the crisis as an opportunity to correct the euro's structural flaw – the absence of a fiscal component – that was overlooked when the common currency was hurriedly created in the aftermath of German unification.

New European Central Bank president Mario Draghi hinted that the bank is preparing further measures to stabilize markets. Upping the pressure is news that U.S. Treasury Secretary Timothy Geithner will meet with Draghi and senior EU officials ahead of Thursday's ECB policy meeting and Friday's Brussels summit.

Italy's main political parties have held their fire on the government's 30 billion-euro austerity and growth plan, suggesting they will not derail measures Prime Minister Mario Monti says are needed to save the nation. Investors gave their backing, with Italian bonds gaining the most in almost four months. The yield on Italy's 10-year bond fell to 5.952 percent, the lowest since October 27<sup>th</sup>. Monti, a university professor and former European Union commissioner, leads a so-called technical government and has no political base in Parliament. He has made a promise that his cabinet will not be in place beyond April 2013 when general elections would be held.

### **LOOKING FORWARD**

Next week TPI and other investors will be analyzing the European meetings and trying to gauge if the results are a band aid fix or something more substantial. Greece's Parliament will be voting on a budget for 2012 this week. Congress is holding hearings exploring legislation on preventing insider trading by members of Congress. Retail sales throughout the remainder of the Holiday Season will be under the microscope, with the hope that Black Friday was not a flash in the pan.

TPI will continue our vigilant analysis on a day by day basis. Please do not hesitate to contact us if you have any questions or comments.