WEEKLY OVERVIEW (11/28/2011)

Our August 22, 2011 commentary was as follows:

Another rough week for the markets: The major indices are all down about 12% to 14% since June 30. Is the downward move done? Is this the market bottom? Consider the following facts:

1. Investor sentiment has not reached its typical level of pessimism usually seen at market bottoms. The AAII poll last week showed 33.4% still bullish and only 44.8% bearish. In market corrections, the AAII poll almost always reaches a level of at least 55% to 65% bearish, and bullishness drops below 20%, before the correction ends.

2. The market's normal seasonality. Historically, August, September, and October tend to be the most negative three-month period of the year.

3. The worsening condition of global economies, and increasing signs that we may be sliding into another global recession.

4. Housing Starts tumbled 1.5% in July and previously reported starts for June were revised down.

5. Fed's Empire State (NY) Mfg Index deteriorated further to –7.7 from –3.8 in July.

6. New Orders Index fell to negative –7.8.

7. Euro-zone GDP growth slowed to just 0.2% in the 2nd quarter, barely above negative growth (recession).

8. Inflation in the U.K. accelerated to a 4.4% annualized rate in July, from 4.2% in June, and more than double the U.K. central bank's inflation target rate of 2%.

9. Gold had its biggest weekly gain since February 2009. It soared as high as $1,881.40 an ounce on fears of global instability.

Does anyone really think Congress will get their act together and actually cut Trillions of real spending or just utilize accounting gimmicks to pretend like they are making meaningful cuts?

Conclusion: Stay as liquid as possible and wait this period out.

Having reviewed those points, has anything really changed, and if so, for the better? We think the answers are NO and THEREFORE, NO.

Look at the weekly and the daily charts for the DOW, S&P 500 and the Nasdaq 100.

October began with a very uncharacteristic short term run up in the face of bad news coming from the Eurozone and our Congress. You had to just shake your head and take it as all the TV pundits kept repeating that October was the best October in history. Run ups like that have to happen based on great numbers and/or expectations. We had neither. All we had was the ridiculous belief that the Eurozone was getting their act together.

What many obviously didn't realize or believe is that their problem is well beyond repair. About two weeks ago, reality set in and the market has since given up most of those recent gains. November may well end up being the worst November in decades.

Where do we stand now? Consider the following:

We have fallen so much so fast that the daily charts have fallen to a point where a short term relief rally of an oversold condition appears to be imminent. On a weekly basis, the existing serious problems continue to be on the horizon.

What can the Eurozone do other than print Trillions of Euro?

The US Congress can't even come to an agreement how to cut $1.5 Trillion out of the budget OVER A 10 YEAR PERIOD! We all know that they really need to do that much EACH YEAR over 10 years and that may still leave us with a nasty budget deficit depending on interest rates.

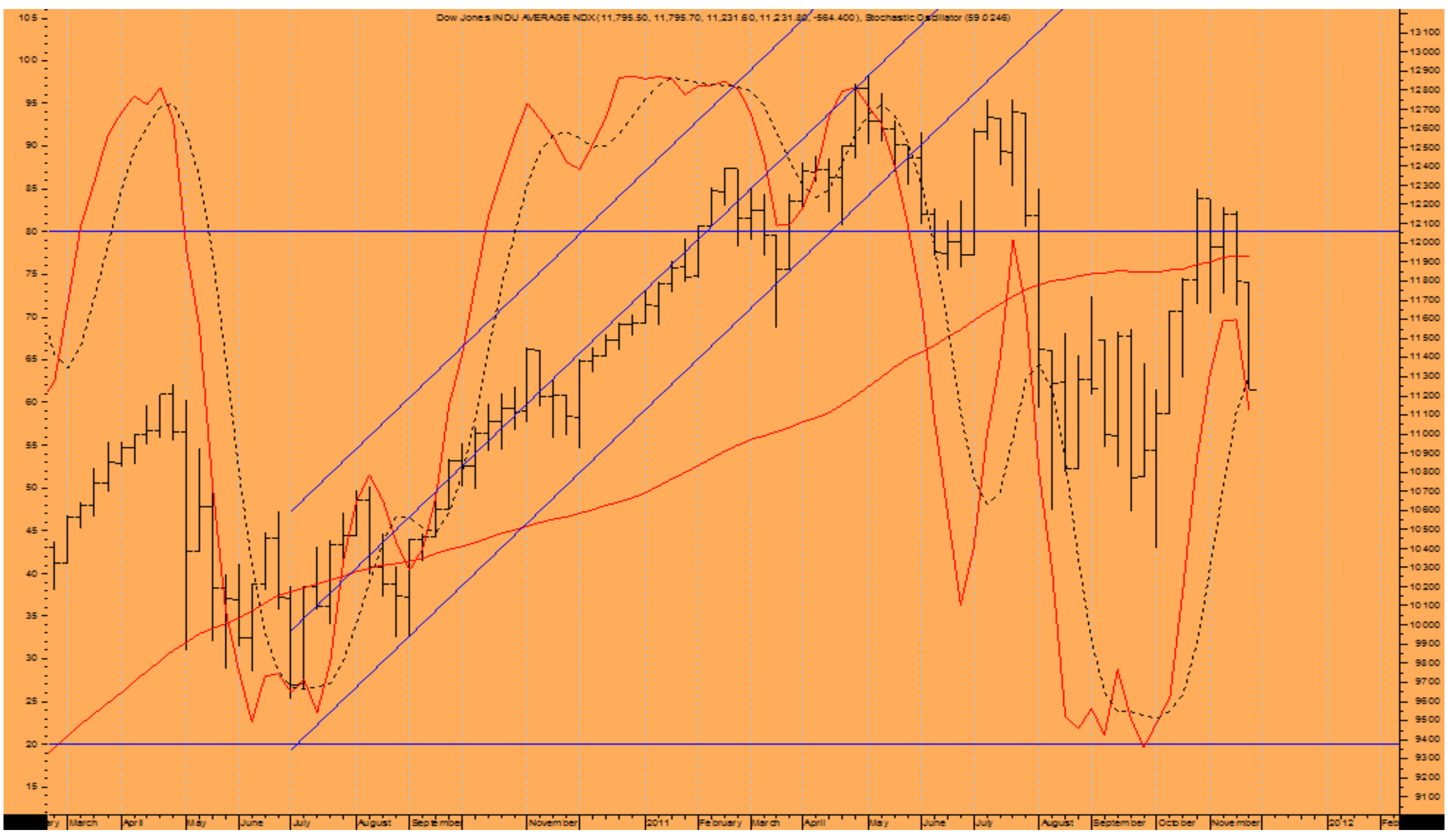
What will happen to our ability to pare our debt if short term interest rates increase to a "normal level" of even 4%? Consider a 3% increase in interest expense on our $15 Trillion debt. That adds$450 Billion just for added interest expense per year.

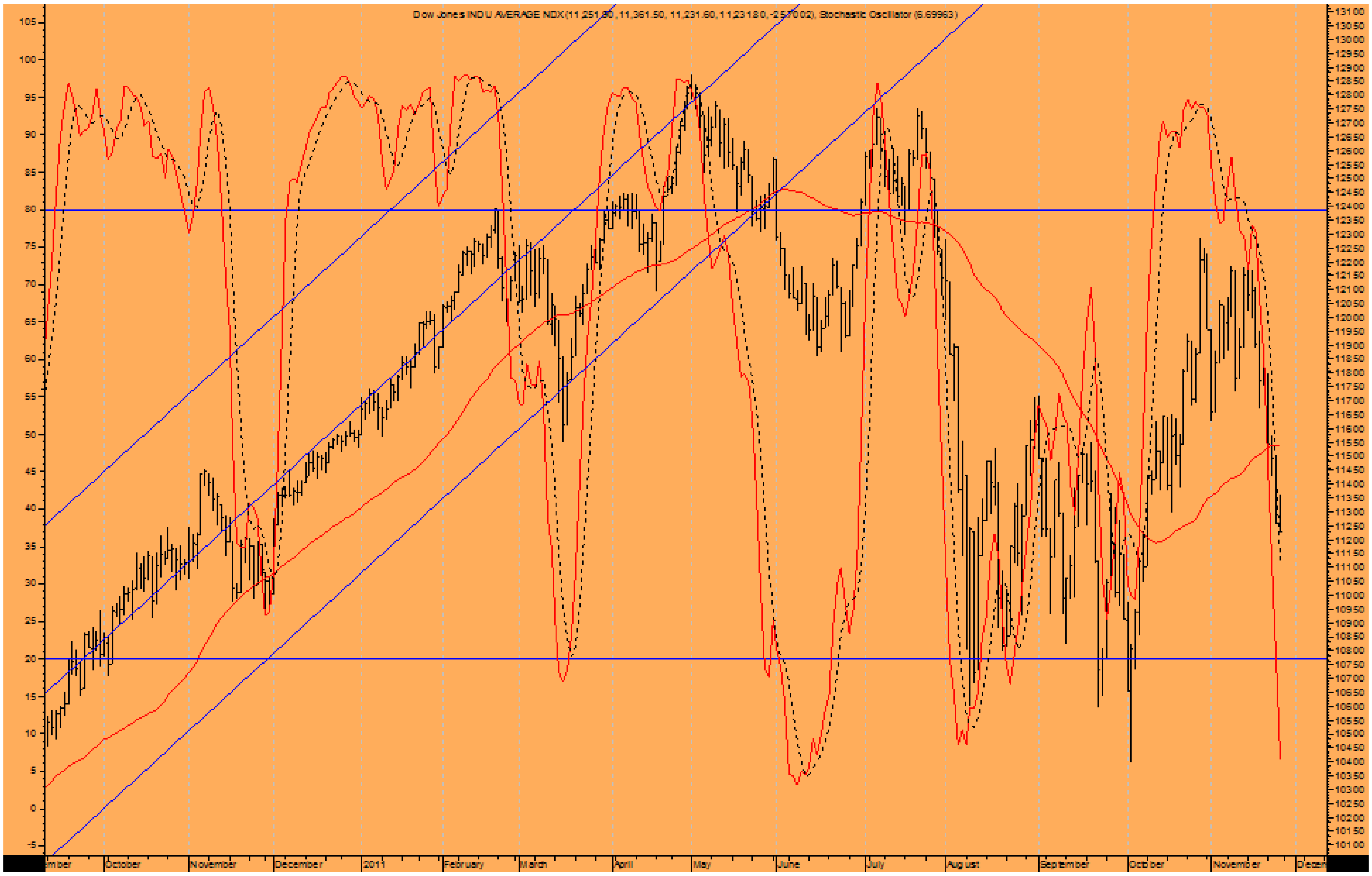
Until all the politicians get their act together, work together and make serious cuts in all programs, we are headed nowhere and fast.

As the Eurozone goes through a depressionary cycle, what will that do to our exports and our continuing ability to sell our debt? The good news is that the US Debt may still be the best game in town when compared to other Sovereign debt, and that is scary.

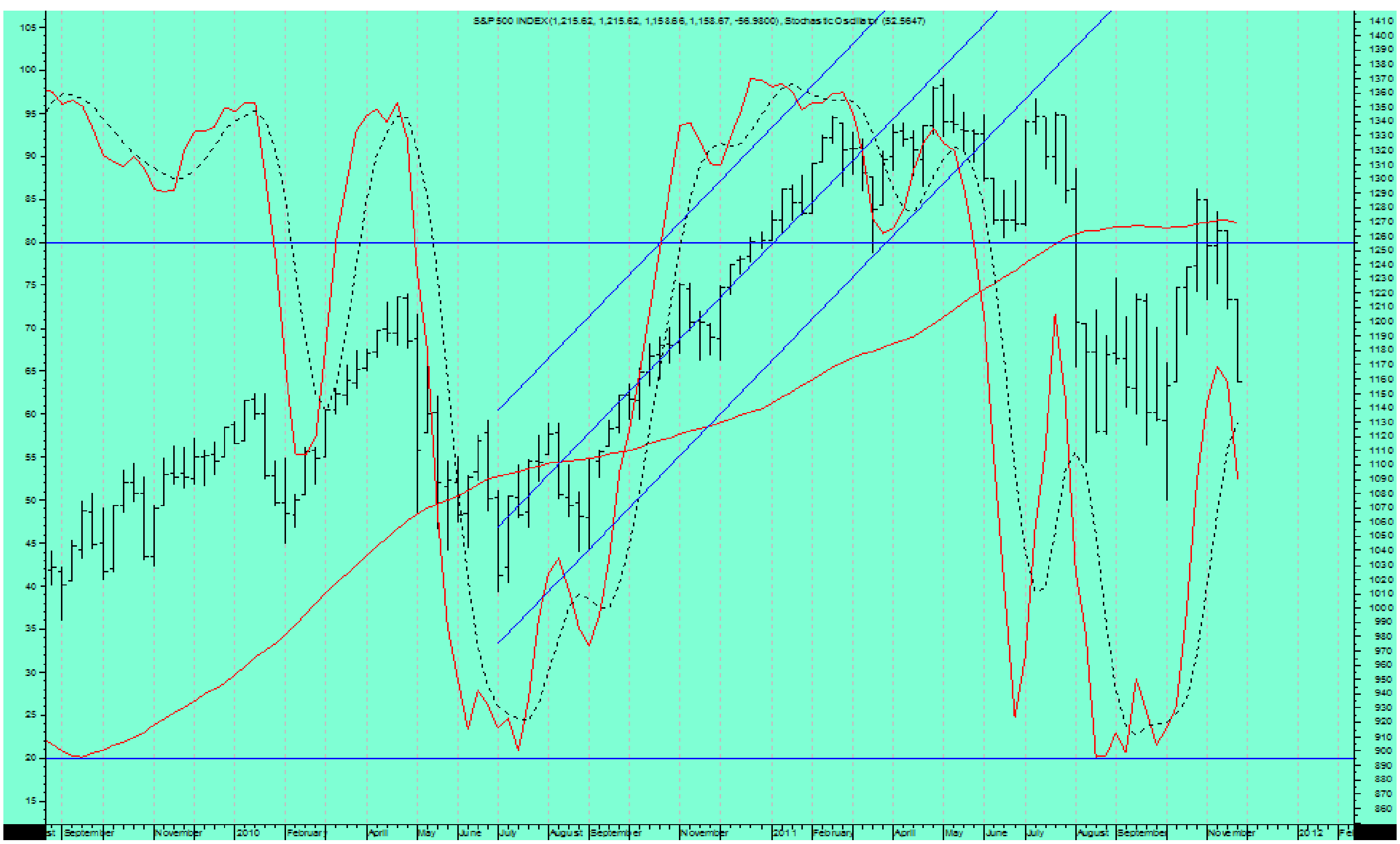
Conclusion: Same as before, stay as liquid as possible and wait this period out.

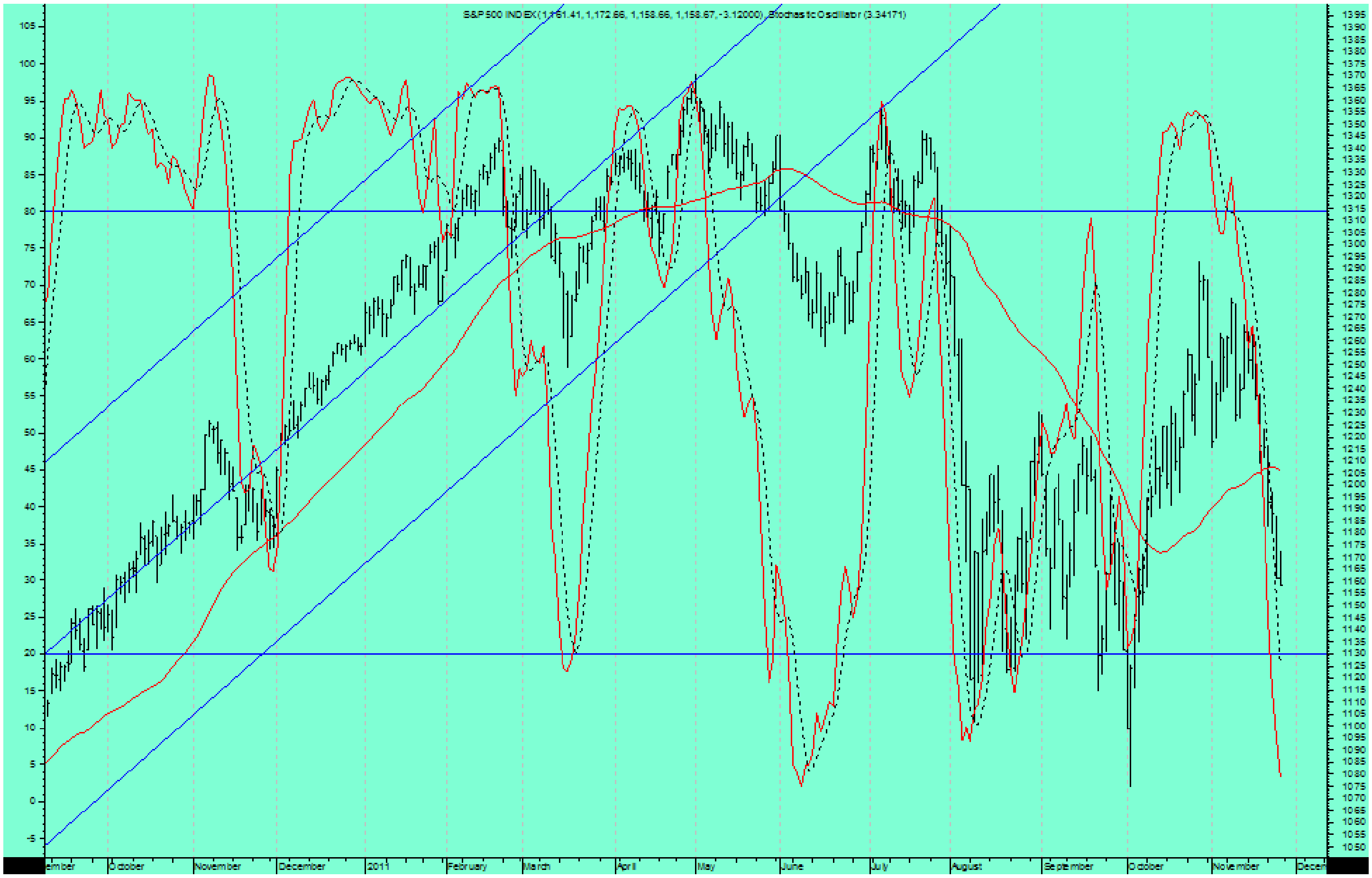
DOW



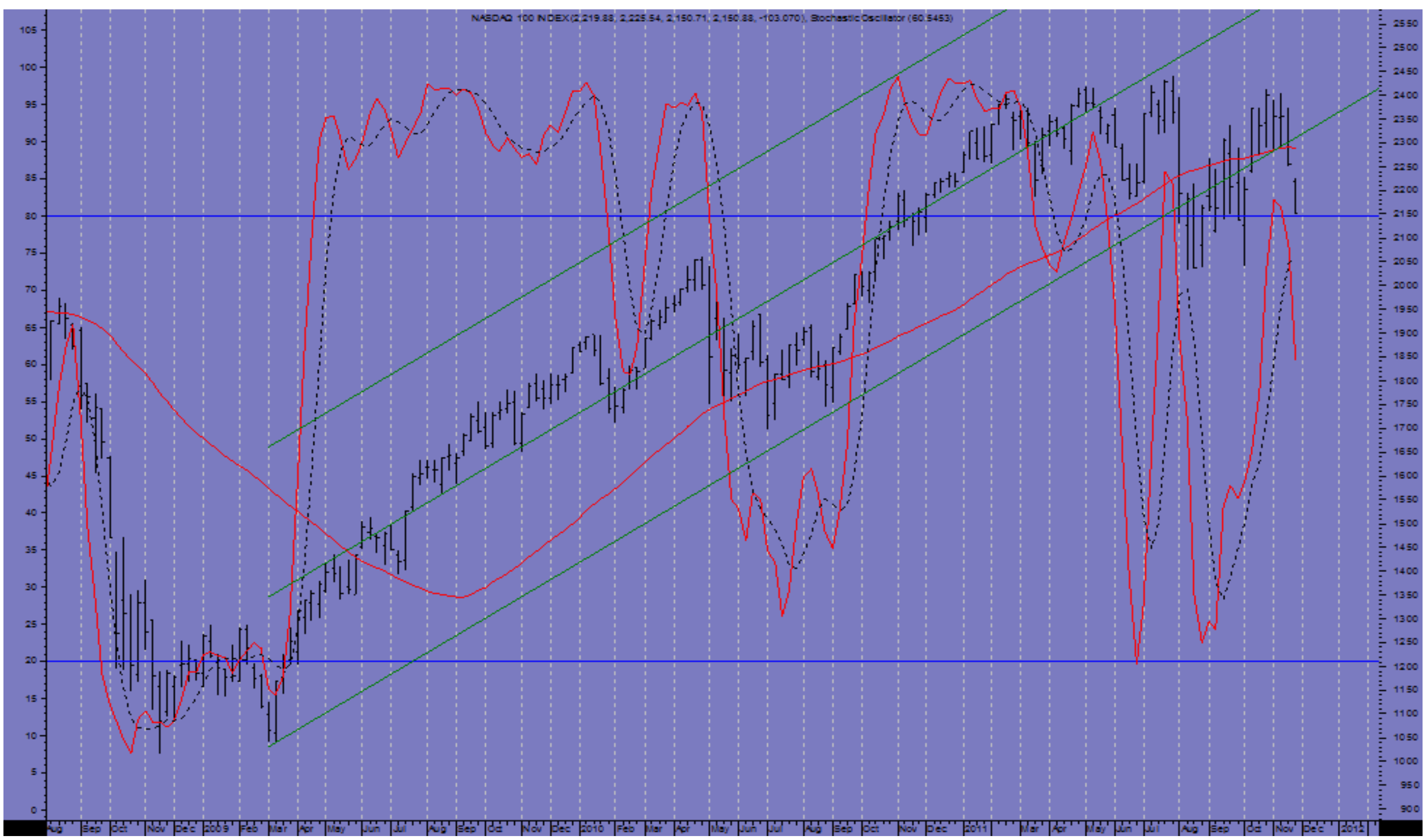

Dow Jones INDU AVERAGE NDX (11,251.80, 11,361.50, 11,231.60, 11,231.80, -25.7002), Stochastic Oscillator (6.69963)
October
November
December
2011
February
March
April
May
June
July
August
September
October
November

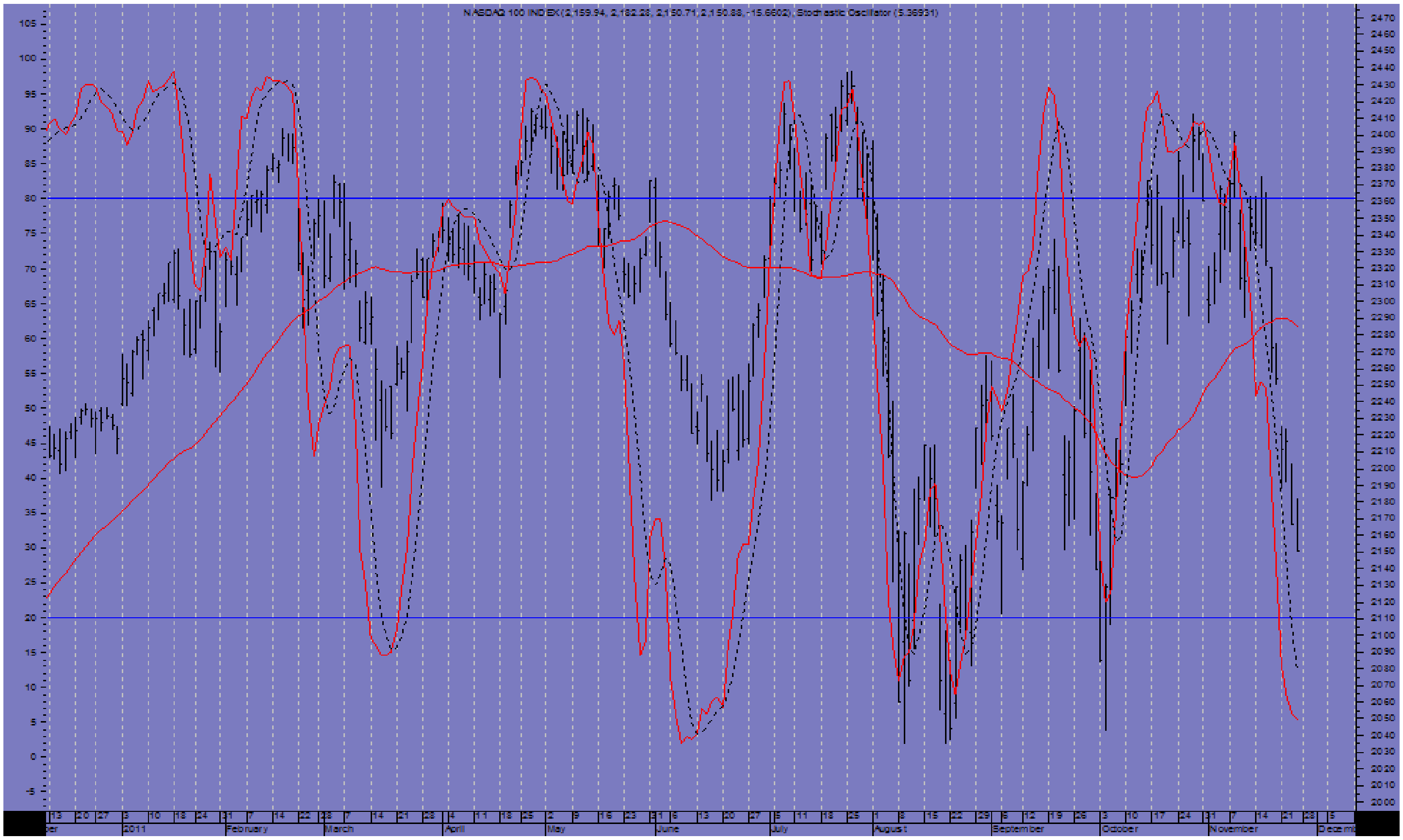
S&P


S&P 500 INDEX (1,215.62, 1,215.62, 1,158.66, 1,158.67, -56.9800), Stochastic Oscillator (52.5647)
September
November
2010
February
April
May
June
July
August
September
November
2011
February
April
May
June
July
August
September
November
2012


S&P 500 INDEX (1,161.41, 1,172.66, 1,158.66, 1,158.67, -3.12000), Stochastic Oscillator (3.34171)

NDX


NASDAQ 100 INDEX (2,219.88, 2,225.54, 2,150.71, 2,150.88, -103.070), Stochastic Oscillator (60.5453)



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