Are we in an Economic Depression?

How can there be a recovery with the threat of mounting unemployment?

By Bob Chapman
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Few professionals are yet willing to admit we have been in a depression for the last year.

You have to understand the position that economists and analysts are in. They work for corporations, insurance, Wall Street, banking and government and if they thought we were in a depression and they publicly announced that all chances for advancement would be lost or they would be squeezed out of the firm or simply fired.

Under such circumstances can you ever expect that you get the truth? We don't think so. Furthermore the depression we are enveloped in is far from over. The recession encompassed a drop in real GDP in the midst of a credit crisis. The crisis was the result of over-extended credit, prohibitively low interest rates, massive speculation by banks, brokerage houses, insurance companies, and corporations worldwide. It just didn't happen it was planned that way. We saw that recently in testimony before Congress when CEOs of these financial firms admitted they made a mistake in the process of enriching themselves.

The worst sin was the criminal securitization of mortgages and the deliberately criminal mislabeling of their ratings. Then making matters worse those who sold this toxic garbage to their clients such as Goldman Sachs, JP Morgan Chase and Citigroup were shorting the product that they had just sold to their best clients. What kind of monsters are these people? Unethical doesn't go far enough. It was criminal. These are the same characters, along with the Fed, and others, who gave us the dotcom boom and collapse and then foisted the real estate boom on our economy. The result has been deflating assets and contracting credit offset by massive lending, money and credit creation by the Fed and monetization, all temporary expedient measures, which in the context of history has led to failure. This has been in process for seven years. This second major abuse of our system in 14 years has presented a terrible dilemma and that is where we are today. Our monetary policy hasn't worked and won't work and there has been and presently is little fiscal control in Washington. This is no normal recession; it is a depression.

We have zero funds rates and up until six months ago M3 expansion of more than 17%. The Fed has monetized trillions of dollars of Treasuries, Agencies and toxic waste and now we are told we are in recovery – the worst is over. We wish we could agree, but we can't. We are reenacting the same mistakes of the past all over again. Unemployment is close to the depression levels of the "Great Depression" and is still expanding albeit more slowly. Money velocity has fallen even after the massive infusion of aggregates. Liquidity is not flowing into the economy it is pouring into Wall Street to aid and abet more speculation, which has sent the Dow from 6600 to 10,700. This game cannot be played indefinitely. Wall Street cannot continue to prosper as the economy remains stagnant, and unemployment climbs higher.

The market is grossly overpriced and the effect of favorable news will begin to wane. It should be noted that insiders are selling into the never-ending rally, and mutual funds have very little money flow coming into the funds. That, of course, is our government at work manipulating the market. Just last week insiders bought $18 million worth of shares and sold $419 million.

This to us is more proof that the stock market is the most overvalued since September 1987, which brought about the market collapse of 10/19/87 and resulted in August 1988 in the Executive Order, “The President’s Working Group on Financial Markets,” which has led to market manipulation and the end of free markets.

That and the bailout of banks, brokerage firms and insurance companies too big to fail, those same entities carrying two sets of books as authorized by the BIS, FASD and the SEC, government purchase of stock in selective Illuminist controlled companies, and government control of the mortgage and real estate markets. This give you corporate fascism at its finest. We see intervention everywhere and that is not free markets.

How can there be a recovery with 22.5% unemployment, and with the additional threat of further unemployment? Who will buy the new housing and the tremendous inventory overhand? What will happen to the commercial inventory building up? Who has money in America to buy cars and trucks? Credits to buy housing for subprime and ALT-A buyers will end up with a 50% failure rate. Cash for clunkers was a colossal failure. Such exercises in futility only buy time, just as stimulus packages, and monetization do the same thing. The elitists behind the scenes know this just as we know this. That means the colossal deficit increase of $1.4 trillion a year will add 10% yearly to the federal debt to GDP ratio that will be over 100% by 2011. The tax liability to service this debt will be overwhelming. Government debt is rising exponentially and if further stimulus is not added the credit crisis will be renewed. This is why the Fed cannot remove further liquidity from the financial system, especially after having taken M3 from 17 to 18% to 6%. Incidentally, England and the ECB have done the same thing, and they still see rising inflation. If further stimulation is not forthcoming, or war, or default comes, we will see inflation reverse and deflation take over and that could last for ten years or more. This deflation, if allowed to take its course, will cause losses of $12 to $15 trillion from the economy and cause unemployment to rise to 40% to 50%. That would also entail cutting extended benefits. That would give us the scenes we saw in the 1930s. The debt we are facing knows no precedent in modern times, and there is no possible way it can be paid.

Bad debt is piling up again in residential and commercial real estate as well as in personal and business debt. This in part is why lenders are not talking about it if they can help it, but they are not lending. Without further lending increases the economy cannot function efficiently because it is so dependent on credit. That means higher unemployment, fewer buyers and a slower economy. If you think foreclosed inventory is bad now wait until the second wave hits and it is going to hit. If you are under water on your mortgage you do not care anymore. You stop paying your mortgage and you live rent-free for a year or more. There is no longer any stigma to walking away or going bankrupt. All the Mickey Mouse games being played by government to keep people in their homes are not going to work. Subprime and ALT-A loans are not the answer. They start going into default in a big way next year as the taxpayer again foots the bill.

The public is catching on. You saw this in Virginia, New Jersey and this week in Massachusetts. The public, a liberal public at that is trying to tell government we have had enough and we want the truth, not more lies. How bad is it? The Tea Party has spoken,, driven by talk radio and the Internet. The moment of truth is upon us. Each passing day brings us closer to facing the music.

Where does the accumulation of debt end? For the two fiscal years ended 9/30/99, the public increased Treasury debt $5 trillion to $7.5 trillion or by 50%. The Fed has purchased 80% of Treasury debt yoy, increasing the monetary base from $850 billion to $2 trillion, which includes Agencies and MBS. Seeking cover on their announcement, they said on Christmas they would supply unlimited funds for three years to Fannie Mae and Freddie Mac. Government liabilities made in behalf of the American taxpayer since the third quarter of 2007 have jumped 61% to $3.62 trillion. It is our opinion that the inflation caused by funding and monetization over the next decade will be very disruptive and expensive to US dollar users as purchasing power falls. That translates into an additional loss in buying power of some 50%.

If liquidity stays at current levels the stock market will fall as it flourishes on increasing liquidity. In addition, higher inflation rates tend to push stocks lower. If we are correct and there is a second credit crisis ahead of us, M3 will rise again and monetization will be pushed into high gear again.

Meredith Whitney, the banking analyst who forecast bank shares would fall in June of 2008, said plans to limit risk-taking at financial companies will probably be approved and may dramatically reduce trading profits.

JP Morgan Chase and Goldman Sachs as a result may have to sell some private-equity business and stop investing in buyouts under a proposal by the President. He wants to prohibit banks from owning or making investments in private-equity and hedge funds.

The banks make their money trading for their own accounts. They won't have much in the way of earnings if legislation passes, the largest manipulations in history would come to an end.

The President has called for limiting the size and trading activities of financial institutions to prevent risk taking and another financial crisis. He also said there should be no proprietary trading. We are told Goldman Sachs will benefit from the President's proposal to limit Wall Street risk by forcing deposit-taking banks to unwind trading operations.

Again the commercial paper market fell by $10 billion to $1.092 trillion. Asset-backed commercial paper rose by $3.5 billion to $430.0 billion.

Unsecured issuance fell by $9.9 billion versus rising $12.7 billion in the prior week.

Democrats have completely lost their moorings. They want to allow government to borrow an additional $1.9 trillion to put the national debt at $14.3 trillion. It would need 60 votes to pass.oqHo

Food prices are roaring upward again as the PPI rose 0.2%. That is a 4.4% gain month-on-month.

Housing starts were 575,000 and building permits rose 653,000. Starts fell 4%. How can any sane builder be building when official and bank hidden inventories are well over a year. Groundbreaking fell a record 38.8% to an all-time low of 553,000 units. Single-family starts fell 6.9% in January. New building permits rose 10.9% for all of 2009 permits fell 36.9%. A Florida builder who was going to build 5,000 units declared bankruptcy yesterday.

Americans haven't been fooled by the Dow's rise. What they see ahead are more taxes. Economists may see the recession as being over, but the man on the street does not. Roughly 60% of the public believes the recession still has a way to go,

a NBC/Wall Street Journal poll reported last October.

There are sound reasons for this gloom. Consumers have learned a bitter lesson. They understand that increased consumption—private and public—will have to come from income and not borrowing, and income will have to come from employment. Today, mainstream Americans are going on a financial diet amid deteriorating family finances. By 2008, suburbs were home to the largest and fastest-growing poor population in the country.

Between 2000 and 2008, suburbs in the country's largest metro areas saw their poor population grow by 25 percent—almost five times faster than primary cities and well ahead of the growth seen in smaller metro areas and non-metropolitan communities. As a result, by 2008 large suburbs were home to 1.5 million more poor than their primary cities and housed almost one-third of the nation's poor overall.

Midwestern cities and suburbs experienced by far the largest poverty rate increases over the decade. In 2008, 91.6 million people—more than 30 percent of the nation's population—fell below 200 percent of the federal poverty level.

The timing was political: the president spoke on the day that Goldman Sachs announced fourth-quarter earnings of $4.95bn. Those of a more populist nature than Mr. Obama – both on the left and on the right – will say that he comes late to the game

Indeed, the White House and the US Treasury resisted the backlash against bankers earlier in 2009 – they opposed the punitive tax proposed in the House of Representatives. Instead of using the control they enjoyed over the banks through the troubled asset relief program in 2009, the authorities rushed to free banks from the restrictions associated with Tarp.

Mr. Obama may now be ruing this lost opportunity. The public mood has swung against Wall Street – to which Mr. Obama appears too close for comfort. Trillion-dollar bailouts for people on million-dollar salaries have infuriated Americans living in fear of losing their jobs and their homes.

Sheila Bair, one of the chief regulators overseeing Bank of America's federal rescue, took out two mortgages worth more than $1 million from the banking giant last summer during ongoing negotiations about the bank's bailout and its repayment.

In the weeks between the closings on her two mortgage loans, Bair met with Bank of America's chief negotiator in the bailout talks. To avoid conflicts of interest, the Federal Deposit Insurance Corp., which Bair heads, prohibits employees from participating in "any particular matter" involving a bank from which they are seeking a loan. [Is it stupidity or arrogance that induces solons to flaunt law & ethics?]

In the depths of the crisis, the Fed shipped more than $500 billion overseas through arrangements with other central banks, in exchange for their currencies. Such lending is down sharply and officials expect to end the program according to plan on Feb. 1. As of January 13, the Fed held $5.9 billion in dollar “swap” agreements with foreign central banks, down from $63 billion in early September and $583 billion in late December 2008 as the financial crisis was worsening. [This is very important. Without the swaps supporting the dollar in the Forex and buying Treasuries by foreign central banks will recede. The dollar will fall and there will be more monetization.]

The Fed balance sheet for the week ended yesterday declined $39.849B (Expiry has passed!) due to a TAF decline of $37.387B. Only $38.351B remains in TAF.

The Treasury on Thursday announced auctions to sell a total of $166 billion in securities in a range of offerings next week.

Brown’s victory in Massachusetts not only torpedoes Obamacare, it kills ‘cap & trade’, global warming and a host of other socialistic proposals. (You might want to reconsider your holdings of GE, GS and other cap & trade plays.). It also kills further Wall Street bailouts and impairs CEOs that have pandered to President Obama – Yes, this means you Jamie Dimon, Jeff Immeltdown, Buffett and the Google geeks.

The ginormous upset in the People’s Republic of Massachusetts – Tiananmen II – implies that the GOP could capture the House and possibly the Senate in 2010. Now that all but the safest Democratic House seats are in play, reputable GOP candidates will surface and money will pour into GOP coffers.

The same dynamic is likely to occur if the GOP takes one or both houses of government in November. First stocks will rally but then the medicine will be administered and the results will be extremely bitter.

Please keep this in mind as various blowhards spew ‘start of another massive bull market’ rhetoric. The dynamic behind any GOP revolution is limited government and no more bailouts. A new Congress will institute some degree of limited government, which might include handcuffing the Fed.

The Massachusetts unemployment rate surged by nearly a point in December, driving joblessness to its highest level since the 1970s and dealing another setback to a labor market that appeared to be on the mend.

The state unemployment rate leaped to 9.4 percent from 8.7 percent in November, more than reversing two previous months of significant declines, the Executive Office of Labor and Workforce Development reported. It is the highest rate since August 1976, when the state was recovering from the energy crisis recession that began in 1973 after the Arab oil embargo.

Massachusetts employers, meanwhile, slashed another 8,400 jobs, the most since September. Since the recession began in March 2008, the state has shed more than 136,000 jobs, including 66,000 in 2009.

Under plan, NYC Aid Would Be Slashed By $800 Million; New Soda And Cigarette Tax Proposals Already Angering Masses Governor David Paterson said Tuesday that the days of profligate spending in Albany are over and that starting immediately lawmakers must participate in an “age of accountability”… the governor’s new budget has $1 billion in new taxes and nearly $800 million in cuts for New York City.

Senate Democrats on Wednesday proposed allowing the federal government to borrow an additional $1.9 trillion to pay its bills, a record increase that would permit the national debt to reach $14.3 trillion.

The unpopular legislation is needed to allow the federal government to issue bonds to fund programs and prevent a first-time default on obligations. It promises to be a challenging debate for Democrats, who, as the party in power, hold the responsibility for passing the legislation.

A 1.2% decline in light truck prices pulled core lower. Consumer prices, an actual cost to consumers unlike an accounting entry like light trucks, increased 0.3%. Food prices jumped 1.6%.

But inflation in the pipeline jumped. Intermediate goods prices (both headline & core) rose 0.5%. Crude prices jumped 1.0% headline and 5.0% core in surging commodity prices.

Columbia University professor Joseph Stiglitz, a Nobel Prize-winning economist, said the U.S. should inject a second round of stimulus spending into the economy to avert a “double-dip” recession.

It will be “2012 or 2013 at the earliest that we will be back to normality,” Stiglitz said in an interview today on Bloomberg Television. “This is a scenario that is putting us a little better but not much better than the Japanese malaise.”

Releasing its first global economic forecasts since June, the World Bank was more upbeat about this year’s outlook, with the rate of recovery expected to reach 2.7% instead of 2%. The contraction in 2009 was also estimated to be more modest than expected, a drop of 2.2% instead of 2.9%.

The 2011 forecast was left unchanged at 3.2%. But the bank painted a more sobering picture for next year and beyond, as credit conditions remain tight and governments start to withdraw extraordinary support measures.

“If the private sector continues to save in order to restore balance sheets, a double-dip recession, characterized by a further slowing of growth in 2011, is entirely possible–especially as the growth impact of fiscal stimulus wanes,” the bank said.

Goldman Sachs Group Inc. responded to intense criticism of big Wall Street paychecks by putting less money into its bonus pool, a move that helped it earn a record $4.79 billion fourth-quarter profit.

The big bank said yesterday that it rewarded employees with $16.2 billion in salaries and bonuses for 2009. That’s up 47 percent from the previous year but much lower than many expected. In all, compensation accounted for 36 percent of Goldman’s $45.17 billion in 2009 revenue, the lowest annual ratio since the company went public in 1999. In 2008, Goldman set aside 48 percent of its revenue to pay employees.

The company is also shifting more pay into deferred stock, allowing it to hold off recording compensation costs for years.

The pay restructuring helped the bank easily top analysts' earnings estimates. Goldman earned $8.20 a share in the last three months of the year, well above the $5.20 a share expected by analysts surveyed by Thomson Reuters.

The $4.79 billion profit was the biggest quarterly gain ever for the New York-based bank. The previous record was $3.16 billion in the fourth quarter of 2007, as the bull market on Wall Street was peaking.

Trading of fixed income, commodities, and currencies buoyed Goldman's profits for the third straight quarter. The bank also reported higher fees from underwriting stock and debt offerings.

Berkshire Hathaway reinsurer General Re agreed to pay almost $100 million to settle several charges and a lawsuit related to its involvement in accounting frauds by American International Group and Prudential Financial, the Securities and Exchange Commission said Wednesday.

Gen Re agreed to pay $12.2 million to settle SEC charges that it helped AIG (AIG 28.01, +0.05, +0.18%) and Prudential (PRU 53.70, +0.08, +0.15%) manipulate and falsify their financial statements, the regulator said.

News Hub: Has commercial real estate bottomed?

Commercial real estate values fell so sharply that some analysts believe the prices may have stabilized, Christina Lewis reports.

Gen Re will also pay $19.5 million to the U.S. Postal Inspection Service Consumer Fraud Fund as part of a nonprosecution agreement unveiled by the Department of Justice, the SEC said. That was related to a criminal investigation into Gen Re's transactions with AIG.

Gen Re also agreed to pay $60.5 million to settle a class-action lawsuit on behalf of injured AIG shareholders. Gen Re also forfeited to the government roughly $5 million in fees it got from helping AIG falsify its financial statements, the SEC said.

Berkshire (BRK.A 104,500, +300.00, +0.29%) (BRK.B 3,492, +15.99, +0.46%) bought Gen Re in 1998. The acquisition has been one of Chairman Warren Buffett's most troubled deals. Read about Gen Re and Berkshire.

The settlements stem from an accounting scandal that erupted at AIG during the previous decade, before the insurance giant almost collapsed and had to be bailed out by the government. The controversy led to the departure of longtime AIG Chief Executive Maurice "Hank" Greenberg.

The SEC alleges that a foreign subsidiary of Gen Re entered into two "sham" reinsurance transactions with AIG in 2000. The contracts allowed AIG to falsely report rising loss reserves and premiums written, the regulator claimed. AIG paid more than $800 million to settle the charges.

Gen Re also arranged a series of "sham" reinsurance contracts with Prudential's property and casualty division from 1997 to 2002. The deals helped Prudential improperly recognize more than $200 million in revenue in 2000, 2001 and 2002, the SEC said. Prudential was separately charged with securities law violations in 2008, the regulator noted. [As you can see, members of the illuminati never go to jail; they just buy their way out. Warren Buffett and Maurice Greenberg are both crooks. If you or I did what they did we'd be doing 10 years in the slammer. This is a national disgrace that these people can get away with this. It is simply horrifying. Bob]

California is poised to become the first state to set time limits for doctors to see patients, the Department of Managed Health Care said.

Regulations to be announced today require family practitioners in health maintenance organizations to see patients seeking an appointment within 10 business days.

The deadline for specialists is 15 days.

A patient seeking urgent care that does not require prior authorization must see a doctor within 48 hours.

However, doctors can extend the waiting period if they determine it will not harm the patient's health.

The rules, set to take effect in January 2011, "set reasonable expectations about when care should be provided,'' said Cindy Ehnes, Department of Managed Health Care director.

The regulations follow years of negotiations among state officials, doctors, hospitals, HMOs, and consumer and health care activists. A 2002 state law mandated more timely access to medical care but didn't provide specifics.

The rules could be an important change for the 21 million Californians who subscribe to HMO plans, state officials said.

The gap in productivity growth between the United States and Europe widened sharply as US businesses were more aggressive in laying off workers and pushing their remaining employees to be more efficient, according to a business research group. Growth in productivity is the key factor in rising living standards.

In a new report, the Conference Board estimated that productivity – the amount of output per hour of work – rose in the United States by 2.5 percent in 2009 while productivity was falling by 1 percent on average in the euro area, the 16 European nations that use the euro currency.

The Conference Board said in a report to be released today that the gap would narrow in the current year but the United States would still outperform much of the euro area.

The Federal Housing Administration plans to increase the amount of up-front cash paid by all new borrowers and to require higher down payments from those with the poorest credit, according to agency officials.

These policy changes, scheduled to be announced on Wednesday, are part of the agency's effort to beef up its ailing finances, which have been eroded by rising defaults in its increasingly popular flagship mortgage insurance program. The FHA currently backs about 30 percent of all loans for home purchases and 20 percent of refinanced loans.

Under this plan, the agency would increase the up-front insurance premium that borrowers pay at the closing table from 1.75 percent to 2.25 percent of the loan's value starting this spring.

While most FHA borrowers can continue to make down payments of as little as 3.5 percent when they take out a loan, those with a credit score of less than 580 will have to make a down payment of at least 10 percent, possibly starting in the early summer.

The agency also plans to propose limits on the amount of money sellers can kick in, including by paying closing costs or giving free upgrades. The agency will reduce seller concessions from 6 percent to 3 percent of the home's value, in line with the industry norm, this summer.

EVER SINCE his inauguration a year ago, President Obama has tried to motivate Congress with a strong ultimatum: Pass climate-change legislation, or the Environmental Protection Agency (EPA) will use its authority under the Clean Air Act to curb carbon emissions without your input.

Instead of accepting this as a prod toward useful action, Sen. Lisa Murkowski (R-Alaska) apparently wants to disarm the administration. This week she is set to offer a measure, perhaps as an amendment to a bill raising the federal debt ceiling, that would, one way or another, strip the EPA of its power to regulate carbon emissions as pollutants, perhaps for a year, perhaps forever. We aren't fans of the EPA-only route. The country would be better off if Congress established market-based, economy-wide emissions curbs. But hobbling the agency isn't the right course, either.

If Congress fails to act, carefully administered EPA regulation of carbon emissions could ensure that America makes some real reductions, if not necessarily in an optimally efficient manner. If Congress passes climate legislation, the EPA's role, if any, could be tailored to work with a legislated emissions-reduction regime. So removing the EPA's authority now is at least premature. The correct response to the prospect of large-scale EPA regulation is not to waste lawmakers' energy in a probably futile attempt to weaken the agency. Instead, the Senate should provide a better alternative.

That effort is already fraught. The best policies — a simple carbon tax or cap-and-trade scheme — aren't gaining steam. Instead, the House passed a leviathan bill, and the Senate is stalled. Majority Leader Harry M. Reid (D-Nev.) indicated last week that he fears Ms. Murkowski's measure will diminish chances of producing a bipartisan climate-change bill. Ms. Murkowski would do better by helping end the Senate's paralysis than by seeking to condemn the rest of government to the same inaction.

The International Council of Shopping Centers and Goldman Sachs Retail Chain Store Sales Index rose 2% in the week ended Saturday from the week before on a seasonally adjusted, comparable-store basis.

The increase–the biggest in the past month–came as consumers "headed to discounters to fight the post-holiday blues," ICSC said. The group noted that January is a low-volume month and can be affected by small swings.

"Sales shifted towards discounters during this past week, which helped to lift the week-over-week pace," added ICSC chief economist Michael Niemira.

Last week, ICSC said consumers after the holidays had tended not to purchase items unless they were on sale.

Niemira also reiterated that January industrywide comparable-store sales are likely to be flat to up 1% “as lean inventories and the lack of the consumer’s need to shop will keep sales moderate for the month.”

On a year-on-year basis, the reading rose 2.6% last week.

Building permits in the U.S. unexpectedly jumped in December, signaling gains in housing will be sustained into 2010 after winter weather depressed construction at the end of last year.

Applications rose 11 percent to a 653,000 annual rate last month, the most since October 2008, the Commerce Department said today in Washington. Work began on houses at a 557,000 pace, down 4 percent from November.

Wholesale prices in the U.S. rose at a slower pace in December, showing the economy is recovering without the immediate threat of inflation.

The 0.2 percent increase in prices paid to factories, farmers and other producers followed a 1.8 percent jump in November, according to Labor Department data released today in Washington. The gain was more than anticipated and reflected higher food costs. Excluding food and fuel, so-called core prices were unchanged.

Senate Democrats are to seek an increase to the federal government’s borrowing limit by $1.9 trillion lifting the total amount the U.S. government can owe to $14.294 trillion, several congressional aides said Wednesday.

The increase is forecast to support the federal government’s borrowing needs the end of 2010, one Senate Democratic aide said.

The borrowing hike comes fast on the heels of a $290 billion increase to the debt ceiling agreed to by lawmakers at the end of 2009.

This is not a perfect world, and there will be no way out of the current crisis – which has been decades in the making – without even more pain. But best to suffer the pain sharply than to drag it out like the death of a thousand cuts, as will be the case if we remain on the path of perpetual spending we are now on.

Ohio’s unemployment rate has edged up to 10.9 percent for December, from 10.6 percent the month before.

The U.S. government’s move to deepen its ties to mortgage-finance giants Fannie Mae and Freddie Mac by agreeing to absorb unlimited losses for the next three years is igniting a debate over whether it should bring the business operations of the companies onto its books.

A decision on how the government treats Fannie and Freddie could have broader political implications. So far, the White House has resisted calls by Republicans to bring Fannie’s and Freddie’s obligations onto the government’s books, a move that could boost the federal deficit by tens of billions of dollars. At a time when the deficit is already at a postwar high, that could create added urgency for Congress and the administration to address the companies' future.

The Congressional Budget Office has reiterated its support for bringing the companies onto the federal budget—and onto the government books—which would effectively mean accounting for their operations in the federal budget as if they were federal agencies.

Manufacturing conditions in the Philadelphia Fed area have continued improving in January, although at at a slower pace than in December, according to the latest Business Outlook Survey by the Federal Reserve of Philadelphia.

The Philly Fed current business conditions Index has eased to 15.2 in January from 22.5 in December, somewhat below the 18.2 index forecasted by market analysts.

New orders and business indexes have continued growing although also at a slower pace than in December. New orders Index dipped to 3.2 in January from 6.5 in December, while shipments Index dropped to 11.0 from 15.3 in December.

The Leading Economic Index for the US grew to 1.1% in January from 0.9% in December. This result marks the ninth consecutive month of gains in the index and is ahead of forecasts of a slight decline to 0.7%.

The number of U.S. workers filing new claims for jobless benefits unexpectedly rose last week – an increase a U.S. Labor Department economist said is partly due to an administrative backlog in processing claims.

Total claims lasting more than one week, meanwhile, declined.

Initial claims for jobless benefits rose by 36,000 to 482,000 in the week ended Jan. 16, according to the Labor Department's weekly report Thursday. The previous week's level was revised upward to 446,000 from 444,000.

Economists surveyed by Dow Jones Newswires expected a decrease of 4,000 initial claims.

The four-week moving average, which aims to smooth volatility in the data, also increased as well last week. The Labor Department said the four-week moving average increased by 7,000 to 448,250 from the previous week's revised average of 441,250.

The loan troubles of many U.S. consumers weighed down fourth-quarter results at Bank of America Corp., Wells Fargo & Co. and U.S. Bancorp, but bank executives predicted loan losses are near a peak.

The three banks hold a combined 24% of all U.S. deposits and operate more than 15,000 retail branches, making them important barometers of consumer sentiment and the health of the U.S. banking industry.

The Treasury Department asked bond dealers on Friday what, if any, impact the Federal Reserve's completion of its mortgage-related security purchases will have on bond markets, and financial markets more broadly. The Fed has said it would buy $1.425 trillion by late March. Before each quarterly debt refunding, the department meets with its primary dealers to discuss supply issues and anything else affecting the markets. The request came in its survey of dealers before that meeting. Estimates on how much mortgage rates may rise after the purchases end, including from the last committee meeting, range as high as one percentage point.

As Goldman Sachs prepared to announce its fourth quarter earnings and employee compensation levels yesterday, the bank had bomb-sniffing dogs and police barricades on hand at its New York City headquarters, the New York Post reports.

The decision to boost security as its offices was apparently driven by growing fervor over the bank’s huge profits and bonuses. Yesterday, the bank announced that it earned $13.4 billion for the year, and set aside $16 billion for employee compensation. Goldman was widely expected to set aside approximately $20 billion for employee pay, but CFO David Viniar suggested yesterday in a call with reporters that the bank wasn’t blind to the “pain and suffering in the world” and “wasn’t deaf to the calls for restraint.”

Viniar’s remarks indicate an abrupt change in tone among Goldman Sachs execs. In November, CEO Lloyd Blankfein — who had previously bragged that the bank was doing “God’s work” — said the following at an industry conference:

I often hear references to higher compensation at Goldman. What people fail to mention is that net income generated per head is a multiple of our peer average. The people of Goldman Sachs are among the most productive in the world.”

Despite what seems to be a new concern among the firm’s leaders about the PR implications of Goldman’s banner year, the bank’s announcement of the pay packages that individual executives receive will be closely scrutinized. Dealbook spoke to one Goldman insider, who suggested Blankfein’s bonus will be a measuring stick for employees who may see their pay cut. (Blankfein earned $68 million in 2007, but didn’t receive a bonus last year.) Here’s Dealbook:

“It all depends on what Lloyd gets,” said one midlevel Goldman employee, referring to Lloyd C. Blankfein, Goldman’s chairman and chief executive. He said Mr. Blankfein’s bonus had become a popular water-cooler topic. “If Lloyd takes home a big bonus, even if it’s all stock, and everyone else receives less, there will be some concern,” he said.

Top 100 Banking Companies in Real Estate Loan Holdings

Commercial Real Estate Loans

Total Construction Nonperf. Nonperf./

Assets Total Commercial Multi-family and Land R.E.Loans R.E.Loans

($Mil.) ($Mil.) ($Mil.) ($Mil.) ($Mil.) (Mil.) (%)

1 Wells Fargo,San Francisco 1,228,625.0 132,745.0 87,040.0 9,302.0 36,403.0 10,476.0 7.9

2 Bank of America,Charlotte 2,252,813.6 105,323.5 54,565.9 11,422.3 39,335.3 8,864.8 8.4

3 J.P. Morgan,New York 2,041,009.0 63,402.0 22,730.0 32,216.0 8,456.0 2,490.0 3.9

4 BB&T,Winston-Salem,N.C. 165,329.1 40,401.5 22,489.2 1,929.1 15,983.3 2,299.8 5.7

5 PNC Financial,Pittsburgh 271,449.9 35,485.2 21,697.3 2,952.6 10,835.3 4,869.3 13.7

6 Regions Financial,Birmingham,Ala. 140,169.4 34,117.9 20,486.3 3,745.7 9,886.0 2,945.8 8.6

7 U.S. Bancorp,Minneapolis 265,058.0 32,098.0 20,133.0 2,411.0 9,554.0 2,083.0 6.5

8 MetLife,New York 535,192.2 30,495.7 26,527.5 3,930.0 38.2 216.0 0.7

9 SunTrust Banks,Atlanta 172,814.1 23,860.9 13,863.4 1,251.6 8,745.9 2,053.3 8.6

10 Zions Bancorporation,Salt Lake City 53,425.1 23,296.6 15,165.9 985.3 7,145.4 1,882.9 8.1

11 Citigroup,New York 1,888,599.0 22,467.0 12,516.0 7,603.0 2,348.0 2,464.0 11.0

12 New York Community Bancorp,New York 32,922.0 22,010.0 4,870.0 16,472.9 667.1 427.4 1.9

13 M&T Bank,Buffalo 68,997.5 20,817.2 13,457.3 1,999.5 5,360.4 539.8 2.6

14 BBVA Compass,Birmingham,Ala. 67,792.7 19,524.9 7,946.4 2,630.2 8,948.3 1,565.4 8.0

15 Capital One Financial,McLean,Va. 168,503.9 19,311.3 10,756.2 5,238.5 3,316.6 808.1 4.2

16 TD Banknorth,Cherry Hill,N.J. 138,987.4 18,996.5 14,497.8 1,586.0 2,912.8 590.3 3.1

17 Fifth Third Bancorp,Cincinnati 110,740.4 18,674.9 9,876.2 671.5 8,127.1 2,487.3 13.3

18 Marshall & Ilsley,Milwaukee 58,664.5 18,351.8 9,326.1 2,709.9 6,315.8 1,397.7 7.6

19 Keycorp,Cleveland 96,985.3 16,854.4 9,412.8 1,835.4 5,606.3 1,672.3 9.9

20 Synovus Financial,Herndon,Va. 34,610.5 15,714.2 7,885.7 638.7 7,189.8 1,296.3 8.2

21 Citizens Financial,Providence,R.I. 150,538.2 15,325.5 10,857.7 1,348.9 3,119.0 812.2 5.3

22 Comerica,Detroit 59,752.9 14,818.2 9,825.6 547.9 4,444.6 957.1 6.5

23 Huntington Bancshares,Columbus,Ohio 52,510.9 12,144.2 7,218.4 823.9 4,101.9 1,295.1 10.7

24 BancWest,Honolulu 77,529.5 12,066.4 8,488.0 640.8 2,937.6 921.5 7.6

25 UnionBanCal,Los Angeles 78,153.2 11,188.9 6,347.9 2,159.7 2,681.3 771.3 6.9

26 FBOP Corp.,Oak Park,Ill. 19,577.1 10,726.7 4,783.3 1,677.5 4,265.9 833.2 7.8

27 Popular Inc.,San Juan,P.R. 35,638.0 9,272.0 6,393.0 905.0 1,974.0 1,238.0 13.4

28 HSBC North America,Prospect Heights,Ill. 390,657.8 8,616.5 4,468.6 1,178.4 2,969.5 693.3 8.0

29 RBC Bancorp.,Raleigh,N.C. 29,447.4 8,385.4 4,557.4 815.0 3,013.0 755.6 9.0

30 W Holding,Mayaguez,P.R. 13,489.4 6,311.1 4,958.1 0.0 1,353.0 1,258.7 19.9

31 First Citizens Bancshares,Raleigh,N.C. 18,512.9 6,211.4 5,078.1 75.3 1,058.0 136.1 2.2

32 Barclays Group U.S.,Wilmington,Del. 377,926.4 6,146.7 4,038.1 1,888.6 220.0 1,759.5 28.6

33 Fulton Financial,Lancaster,Pa. 16,526.7 5,799.9 4,099.0 252.2 1,448.7 177.3 3.1

34 East West Bancorp,San Marino,Calif. 12,486.0 5,724.9 3,621.9 1,033.4 1,069.6 168.4 2.9

35 Associated Banc-Corp,Green Bay,Wis. 22,884.6 5,465.6 3,315.0 538.7 1,611.9 514.0 9.4

36 South Financial Group,Greenville,S.C. 12,301.0 5,220.7 3,110.4 258.6 1,851.7 330.9 6.3

37 Sterling Financial,Lancaster,Pa. 11,898.9 5,148.6 2,581.8 594.4 1,972.4 651.0 12.6

38 Harris Financial,Palatine,Ill. 58,879.3 5,122.8 3,457.6 500.3 1,164.9 877.0 17.1

39 UCBH Holdings,San Francisco 10,925.5 4,980.2 2,311.0 1,195.3 1,473.8 950.9 19.1

40 PrivateBancorp,Chicago 12,082.6 4,919.2 2,981.7 701.8 1,235.7 257.9 5.2

41 Cathay General Bancorp,Los Angeles 11,749.8 4,790.5 3,548.4 326.4 915.7 334.9 7.0

42 BancorpSouth,Tupelo,Miss. 13,280.8 4,736.5 2,956.6 246.4 1,533.6 60.4 1.3

43 Wilmington Trust,Wilmington,Del. 11,168.0 4,611.9 2,618.0 79.1 1,914.7 266.5 5.8

44 Harris Bankcorp,Chicago 40,725.5 4,333.5 3,154.4 456.2 723.0 294.0 6.8

45 First Horizon National,Memphis 26,466.7 4,243.5 2,405.0 315.7 1,522.8 624.8 14.7