

## Continued Turmoil on Financial Markets

A world stock market collapse could be imminent as a source of dollar support

By [Bob Chapman](#)

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### US MARKETS

On Friday the dollar completely broke down, with the USDIX collapsing to about 82.5, as monetizations by the Fed became a stark reality. A world stock market collapse could be imminent as a source of dollar support. We wonder how low they will let the dollar go before they collapse the stock markets to chase people back into US treasuries, which have also broken down, with treasury interest rates on the rise despite various Fed purchases of treasuries in the hundreds of billions. So much for the bogus stress tests as things turn much uglier than anticipated by the boneheads in Goldman Sachs South who are attempting to resurrect the Goldilocks Matrix. The suckers rally is simply the loading and winding of a catapult meant to throw the dollar upward as the stock market spring unwinds at the moment chosen by the PPT, which moment has already been telegraphed to Illuminist insiders for their continued looting of the sheople and for the filthy aggrandizement of their growing mountain of ill-gotten gains. The stock market shorts are being set up in the dark pools of liquidity beyond the purview of regulators as this article is being written, so if you plug yourself back into the pod electrodes of the Goldilocks Matrix again, you are in for a major shock.

Stock market rallies aimed at sucking in sheople-dupes based on bogus hedonic financial statistics, fairytale financial statements, fascistic injections of monopoly money into the economy and false Goldilocks news spin will continue on as a source of insider trading profits and as a ready source of capital to boost the dying dollar. As the world's stock markets collapse in sympathy with the US stock markets as the PPT withdraws its support globally, stocks around the world will be sold off, and the proceeds will be channeled into the perceived safe-haven of US treasuries. This boosts the dollar because sales proceeds from the liquidation of foreign stocks that are denominated in foreign currencies are exchanged for dollars in order to purchase US treasuries, thereby creating a dramatic demand for dollars. Sell into this current stock market strength and get out of the stock markets, or prepare to get vaporized by an Illuminist laser beam that is being focused on the sheople for a nice roasting so the elitists can enjoy some more mutton chops while they watch the dollar anti-gravity machine perform its magic for their entertainment and profit. Also, a dollar boost provides some assistance for carrying out JOB ONE at the Fed, which is gold suppression, so you can take a stock decline to the bank based on that principle alone.

The Consumers Confidence Index, the lowest since records began in 1967 came off the

bottom in March, just barely. The market has rallied 30% off its bottom, just as it did in 1933, and we are told by Wall Street and Washington that the recession is over. Housing starts are off 80.4% from three years ago. We forecast 75% would have been sufficient, but in a depression things are different. The question is how long will starts bump along the bottom with as 12.2-month inventory? Healthy markets have a 5-month overhang – not to mention used home inventory. Prices are off 20% or more and the median may eventually fall 40%. Buying in this atmosphere is foolhardy at best. Then again, a fool and his money are soon parted.

Job losses result in foreclosure 15% of the time and if the monthly average of 570,000 in the first quarter falls to 325,000, almost 3 million jobs will be lost by yearend and another 450,000 foreclosures and an unemployment rate of 11%. Experts say another 7.8 million jobs will be lost by the end of 2009, and industrial production will fall another 17%. This would cause the loss of 5.1 million more jobs as opposed to 2 million.

Industrial production was off 12.8% yoy, as capacity utilization fell to 69.3%, the lowest since records began in 1967. At the same time the amount of excess capacity utilization is unprecedented. Never mind lost jobs, the economy has to create 125,000 jobs a month just to absorb new entrants into the labor market. It will be at least six years before employment will grow again under the best of circumstances. We are already in a depression as bad as in the 1930s.

The elitists continue to throw money at the problem and after 75 years of going to the well, the debt structure is unsustainable. That is with many years of inflation. We all know as professionals what has to happen as a result of these policies. Then to add to the madness some economists have suggested negative interest rates. The act of the Fed lending money and paying you to borrow the funds. This supposedly would increase economic activity. The theory is for the Fed to increase inflation, which would make cash trash and force people to spend. There is a problem with that theory other than it won't work and that is people can buy gold and silver with their depreciating dollars. Even if they do not go up they'll hold their value, something the dollar won't do under those circumstances. All current problems can be traced to low interest rates and unsustainable levels of borrowing and spending. This theory in the long run increases the problem and causes further monetization. Such ideas as usual emanate from Harvard, that seat of illuminist intellectual power, the August hub of learning, which bestowed a master's degree on that idiot George W. Bush. Am I happy I chose Northeastern instead.

The negative interest policy has been put forward by former White House Chief Economist and Harvard professor of economics Gregory Mankiw. He wants to target interest rates at a negative 3%. You could borrow \$100.00 from the Fed and pay back \$97.00. Gregory believes zero interest rates are not working and he is right. Does he really believe negative rates of 3% would work better? We don't think so. The psychology of spending has been dead-ended just as the lust for real estate. It will take sometime to build a new spending foundation and a new spending psychology. We forecast this would happen and the only way this can be offset is by massive injections of more money and credit to offset these very negative factors. This month hyperinflation begins. Two or three years from now, perhaps sooner, the plug will be pulled on hyperinflation voluntarily or involuntarily. Supposedly this tax on money will force people to spend. Again we say people do not have too. All they have to do is buy gold and silver related assets. Mr. Mankiw isn't going to tell you that.

Commercial bank loans are off 2.2% over the past six months. Banks are loaded with cash

that continues to pile up over at the Fed that now pays them for the privilege of depositing their cash there. We are told banks have excess reserves of some \$862 billion, up \$91 billion in just this past month. Over the past eight years that average reserve was \$1.6 billion. Why are the banks not lending? We'll tell you why, because of all the bad or worthless assets they have on their balance sheets – that is why. Negative interest rates, zero interest rates and massive money and credit expansion are impoverishing wealth producers, keeping them from taking risks and driving them into gold and silver. Is our President really taking on the transnational elitist conglomerates and their tax havens? These are paying about 2% in taxation by parking their profits abroad. American companies might decide as a result of legislation to domicile in other countries. This would cost some taxation and the further loss of American jobs.

The truth of the matter is that such legislation could be used as a bargaining tool in other legislation, such as universal health insurance. There is \$700 billion in offshore corporate accounts that could be used to assist the US economy and bring in \$200 billion in taxes.

Then again he may do what was done four years ago under the ruse of creating jobs. The transnationals bought back \$350 billion at 5-1/4% taxation, whereas normal taxation was 3.3%. America is already one of the most heavily taxed nations worldwide in the corporate area.

The GM management virtually destroyed the company along with the labor unions and now they want a 1 for 100 reverse stock split.

The pending home sales numbers indicated a 3.2% increase from February to March. These are contracts signed. Cancellation rates are about 30% and have been for two years. That increase will be adjusted downward next month. The inventory of existing homes continues to mount with foreclosures making up 60% to 75% of sales by speculators.

Bruce Bent, the inventor of money market funds and the proprietor of the Reserve Primary Fund, was charged with lying about the stability of the fund last year. He was investing in toxic garbage. This again should tell you how safe money market funds are. Both Ken Lewis and Paulson are lying about the threats over Bank of America and Merrill Lynch. Bernanke then lied before Congress. We see no outrage. No charges of perjury, only more of the same criminal corruption. As you can see at Harvard and the Ivy League schools they have courses in lying. We'll eventually get them into court on criminal charges, if the mob doesn't get them first.

In recent years, never mind through more than a thousand years of history, tactics such as those being used today by America's Federal Reserve have been a failure. Those at the Fed are well aware of that. It should be noted in the late 1980s and again in 2001-03, that it was possible to use stimulus, and other money and credit measures to resuscitate the economy. The troubles this time is different. They are far beyond fixing. We have seen the same thing happen in Japan since 1991. They inflated and inflated, incurred massive debt and even zero interest rates and they could not resurrect their economy. The only thing that kept them afloat was unlimited access with low tariffs to US markets.

It wasn't easy in the 1970s. We were already 13 years in the brokerage business, so we lived and were part of those years as well. We saw loose monetary policy in the early 1960s when we began collecting gold and silver coins. We saw the preparation in the early 1970s, which led to the debacle that culminated in the collapse and purging of the economy in the

early 1980s. There were a number of recoveries in the years since the war but this time it is really very different.

The stimulus package of only a year ago was ineffective and it increased government borrowing requirements as you saw recently. The Treasury had to have the Fed monetize bond purchases.

The monetary and fiscal stimulus used in the last eight months should soon start to show up in the form of inflation. Do not forget the move to stop inflation began five years ago and it still hasn't been effective.

We are told that there will be no increases in Social Security and Medicare for the next two years. All government funds are being used to bail out Illuminists on Wall Street, banks and insurance companies.

The number of mortgage applications rose 2% in the week ending May 1, the Mortgage Bankers Association said Wednesday, with borrowers seeking both more refinance and home-purchase loans.

The MBA's seasonally adjusted composite index of mortgage applications rose to 979.7 from 960.6 a week earlier. The refinance index was up 1.2% while the purchase index increased 5%.

The purchase-index number adds to signs of housing market stabilization, as low mortgage rates and falling home prices have energized bargain hunters. The National Association of Realtors said this week its index of pending home sales, a measure of signed contracts for sales which have yet to close, rose 3% in March.

The refinance share of mortgage activity decreased to 74.4% of total applications from 75.3 percent the previous week. The adjustable-rate mortgage share of activity remained unchanged at 2.1% of total applications.

The average contract interest rate for 30-year fixed-rate mortgages increased to 4.79% from 4.62%, with points increasing to 1.17 from 1.14 (including the origination fee) for 80 percent loan-to-value ratio loans. A point is 1% of the loan amount, charged as prepaid interest.

The survey covers approximately 50 percent of all U.S. retail residential mortgage applications and includes responses from mortgage bankers, commercial lenders and thrifts.

Wells Fargo & Co. told employees on Monday it will no longer contribute to their traditional pension plan, effectively cutting the total compensation of its workers less than two weeks after announcing record first-quarter profit.

Wal-Mart pays \$2M to avoid charges in death probe 05.06.09

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The San Francisco bank is combining its existing program with that of Wachovia Corp., the Charlotte, N.C., bank it acquired in December, and freezing both companies' cash balance

plans, a type of defined benefit plan.

"We must manage expenses prudently to help Wells Fargo continue our long track record of profitable growth so have decided to have one team member retirement plan for the combined company," spokesman Chris Hammond said in a statement. "These decisions were difficult and we are confident that we're taking the right steps to ensure the long-term strength of our company."

He said the bank will maintain the dollar-for-dollar match for its 401(k) plan, up to 6 percent of pay.

At least three of the nation's 19 largest banks have passed government stress tests of their financial strength.

American Express Co., JPMorgan Chase & Co. and Bank of New York Mellon Corp. will not be asked to raise more capital when federal officials announce the test results Thursday afternoon, according to people briefed on the results. The people requested anonymity because they were not authorized to discuss the results.

The stress tests were designed to see how the large banks and finance companies would fare if the economy worsens. Analysts expect about half the companies will be asked to raise capital.

Citigroup Inc., Bank of America Corp. and Wells Fargo & Co. all will be asked to raise money, sources have told The Associated Press.

Spokesmen for New York-based American Express and JPMorgan would not comment.

A Bank of New York Mellon representative did not immediately respond to requests for comment Wednesday afternoon.

Bank of America stock rose Wednesday after reports that the Charlotte, N.C.-based company would need to raise \$34 billion in additional capital. The New York Times and Wall Street Journal reported the figure. The Times quoted a bank executive, while the Journal cited unnamed people familiar with the situation.

The stress tests are a centerpiece of the Obama administration's plan to stabilize the financial industry. They measure how much the banks would be hurt if unemployment rose to 10.3 percent and home prices dropped an additional 22 percent.

The government wants the firms to have enough money to keep lending even if the economy gets much worse. Officials have said none of the banks will be allowed to fold.

Signs of an economic recovery aren't showing up in the latest bankruptcy statistics.

Phoenix-area bankruptcy filings jumped 91 percent in April compared with a year earlier,

pushing above 2,000 a month for the first time since bankruptcy laws were changed in late 2005.

[MetLife Inc.](#), the biggest U.S. life insurer, said net unrealized losses on corporate debt holdings increased 9.9 percent to \$15.4 billion in the first quarter as borrowers struggled to repay loans.

The loss, disclosed by the New York-based insurer in a regulatory filing today, compares with \$14 billion at the end of 2008 and \$8.22 billion at the end of September. Unrealized losses, which aren't subtracted from earnings, are calculated as the difference between a holding's market value and what the company says the investment is worth.

[Bank of America Corp.](#) is likely to convert preferred stock into common shares, and traders betting on a potential swap should use options, Barclays Plc said.

Regulators have concluded Bank of America needs about \$34 billion in capital to withstand a weaker economy, according to a person with knowledge of U.S. stress tests of lenders. The company may be able to accomplish that by exchanging preferred shares for common stock.

Citigroup Inc. announced a plan in February to convert as much as \$52.5 billion in preferred stock to [replenish capital](#), creating an arbitrage opportunity for investors who bought those shares and shorted the bank's common equity. The New York-based bank reduced profits for Third Point LLC's [Daniel Loeb](#) and other investors after delaying the swap. [Venu Krishna](#), a Barclays analyst, said trading [options](#) is safer than shorting Bank of America's common shares.

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Given the experience of Citi preferred holders who hedged themselves with the common, we believe a more optimal choice is to sell combos (i.e. buy puts and sell calls at the same strike) as a hedge,” Krishna wrote in a report yesterday.

Hedge funds and speculators rushed to buy preferreds and shorted Citigroup stock to profit from the difference in prices between the two securities. Gains for investors in the strategy were eroded by delays in completing the transaction and a surge in the costs to borrow the common shares sold short.

Half a century prompted companies to lower expenses by squeezing more from remaining staff.

[Productivity](#), a measure of employee output per hour, rose at a 0.8 percent annual rate, more than forecast, after a 0.6 percent decline in the fourth quarter, the Labor Department said today. Labor [costs](#) increased 3.3 percent after climbing 5.7 percent at the end of 2008.



[DuPont Co.](#), the third-biggest U.S. chemical maker, plans to cut an additional 2,000 jobs as global demand remains weak.

Claims for state unemployment benefits fell sharply last week, the fourth decline in five weeks, providing further evidence that the pace of layoffs has slowed after months of steep job cuts.

Still, the total number of unemployed drawing jobless benefits hit its 14th-straight record high and now stands at over 6.3 million, an indication that even if layoffs have tapered off, there's little evidence that new jobs are being created.

Initial claims for state jobless benefits tumbled 34,000 to 601,000 in the week ended May 2, the Labor Department said in a weekly report Thursday. That's the lowest level since late January.

Wall Street economists had expected a 4,000 rise, according to a Dow Jones Newswires survey. The prior week's level was revised higher.

The four-week average – which aims to smooth volatility – slid for a fourth-straight week, by 14,750 to 623,500, the lowest since mid-February.

The US has lost over 5 million jobs since the recession started in late 2007, with over 2 million of those losses occurring in the first three months of 2009 alone, pushing the unemployment rate to a 25-year high of 8.5%.

The current global crisis is “vastly worse” than the 1930s because financial systems and economies worldwide have become more interdependent, “Black Swan” author Nassim Nicholas Taleb said. “This is the most difficult period of humanity that we’re going through today because governments have no control,” Taleb, 49, told a conference in Singapore today. “Navigating the world is much harder than in the 1930s.”

Europe's central banks are \$40bn poorer than they might have been after they followed a British move taken 10 years ago on Thursday to shrink the Bank of England's gold reserves, analysis by the Financial Times has shown. London's announcement on May 7 1999 that it would sell a large share of the Bank's gold reserves in favour of assets offering a return, such as government bonds, was the high water mark of so-called “anti-gold” sentiment among European central banks.

[http://www.ft.com/cms/s/0/433a92b4-3a67-11de-8a2d-00144feabdc0.html?referrer\\_id=yahoofinance&ft\\_ref=yahoo1&segid=03058&nclck\\_check=1](http://www.ft.com/cms/s/0/433a92b4-3a67-11de-8a2d-00144feabdc0.html?referrer_id=yahoofinance&ft_ref=yahoo1&segid=03058&nclck_check=1) - #

Many of these banks, such as those in France, Spain, the Netherlands and Portugal, decided later in 1999 to follow Britain and sell off their reserves. At that time, gold was worth around \$280 an ounce, less than a third of its current level of more than \$900.

European banks sold about 3,800 tonnes of gold, reaping about \$56bn, according to calculations from official sales data and bullion prices.

Taking into account the likely returns from the investments in bonds, the banks have gained

another \$12bn. But because today's gold prices are far higher, they are about \$40bn poorer than if they had kept their reserves.

The biggest loser is the Swiss National Bank which sold 1,550 tonnes over the decade and at today's gold prices is \$19bn poorer, followed by the Bank of England, which is \$5bn poorer.

The UK Treasury on Wednesday defended its decision to sell gold as a way to diversify reserves and cut risk. "As a result of the programme, a one-off reduction in risk of approximately 30 per cent was achieved," it said. The Swiss National Bank declined to comment other than to say that it did not plan to sell more gold.

However, central bankers are confident that over the long run their move out of gold and into bonds will pay off and reduce the volatility of their portfolios, people familiar with their thinking said. Analysts also argue that because some banks had more than 90 per cent of their assets in gold, some disposals were warranted.

The proportion of European reserves held as gold remains extremely large even after years of sales, at an average of about 60 per cent, compared with the world average of 10.5 per cent.

After 10 years of steady sales, Europe's gold sales are set to slow to their lowest levels since 1999, while central banks outside Europe have already become net buyers of gold. The US, the world's biggest holder of gold, decided not to follow Europe's move. Germany and Italy are the only two big European central banks which did not follow the UK, mostly because of domestic disputes about what to do with the proceeds.

Consumers enticed by warmer weather and glimmers of hope for the economy bought a few more items in April, helping discounter Wal-Mart Stores and many mall clothing chains post better results for the month than expected.

Business in many areas remains weak, however, and analysts expect a slow recovery as unemployment remains high and other economic woes persist.

Among merchants that reported sales Thursday, mall-based clothing stores including Gap, American Eagle and Wet Seal posted smaller declines than analysts had forecast. The Children's Place, T.J. Maxx owner TJX Cos. Inc. and The Buckle saw bigger gains than expected.

But warehouse store operator Costco Wholesale Corp. reported a deeper-than-expected same-store sales drop, hurt by the closing of its stores on Easter.

China has given its clearest warning to date that emergency monetary stimulus by Western governments risks setting off worldwide inflation and undermining global bond markets.

"A policy mistake made by some major central bank may bring inflation risks to the whole world," said the People's Central Bank in its quarterly report.

"As more and more economies are adopting unconventional monetary policies, such as



quantitative easing (QE), major currencies' devaluation risks may rise," it said. The bank fears a "big consolidation" in the bond markets, clearly anxious that interest yields will surge as western states try to exit their QE experiment.

Simon Derrick, currency chief at the Bank of New York Mellon, said the report is the latest sign that China is losing patience with the US and aims to diversify part its \$1.95 trillion (£1.3 trillion) foreign reserves away from US Treasuries and other dollar securities.

"There is a significant shift taking place in China. They are concerned about the stability of the global financial system so they are not going to sell US bonds they already have. But they are still accumulating \$40bn of fresh reserves each month, and they are going to be much more careful where they invest it," he

said.

Hans Redeker, head of currencies at BNP Paribas, said China is switching into hard assets. "They want to buy production rights to raw materials and gain access to resources such as oil, water, and metals. They know they can't keep buying bonds," he said Premier Wen Jiabao left no doubt at the Communist Party summit in March that China is irked by Washington's response to the credit crunch, suspecting that the US is engaging in a stealth default on its debt by driving down the dollar. "We have lent a massive amount of capital to the United States, and of course we are concerned about the security of our assets. To speak truthfully, I do indeed have some worries," he said.

Days later, the central bank chief wrote a paper suggesting a world currency based on Special Drawing Rights issued by the International Monetary Fund.

Some economists say China is suffering from "cognitive dissonance" by anguishing so much over its reserves, accumulated as a result of its own policy of holding down the yuan to promote exports.

Quantitative easing by the US Federal Reserve and fellow central banks may have saved China as well, since the country's growth strategy is built on selling goods to the West.

China's fears of imported inflation may reflect its concerns about over-heating. The M2 money supply rose 25pc in March on a year earlier, and there has been explosive credit growth since the government relaxed loan restraints. There are concerns that the stimulus is leaking into a new asset bubble rather than promoting job growth. The Shanghai bourse is up over 50pc since November.

Falling home prices have forced the government to ask Congress for a taxpayer subsidy to prop up a program that lets senior citizens take out reverse mortgages.

The White House says in budget details that the Federal Housing Administration needs a

\$798 million subsidy next year, the first in its 75-year history. The money is needed for a program that lets seniors tap the equity in their homes.

The FHA's main program for borrowers with weak credit will not need a taxpayer rescue, despite rising defaults.

There will be no rapid economic and financial recovery anytime soon. Job formation is a long way from beginning as layoffs continue to abound. The pay rates for those who can find jobs are deplorable. At the bottom end of the job food chain the uneducated have to contend with competition from illegal aliens and at the middle and upper ends workers have to contend with free trade, globalization, offshoring and outsourcing. At the same time the fiscal deficit for 9/30/09 could be as high as \$2.5 trillion, which is unfathomable. Worse yet, the President tells us this situation will persist for years to come.

What we will have to do eventually is purge the system whether the elitists like it or not. We need higher interest rates to encourage saving to provide funding for the economy. Companies that are bankrupt should be allowed to fail - with no exception. Funds have to be available to rebuild our capital foundation. All government agencies at every level have to cut spending at least by 35% to balance budgets without increasing taxes. Inflation should be under 2% and that is accomplished by not allowing the Fed to recklessly increase money and credit. Tariff barriers on goods and services should be erected to raise revenue for the federal government and to protect what is left of American jobs. Tariffs will force US corporations to return home to manufacture or to offer services. Over the last 200 years in similar situations these methods have been employed and they have worked.

What the Fed and the Treasury are doing won't work and it could be disastrous. Keynesianism always has been and will continue to be a disaster.

The lies at the Fed get bigger and bigger. Mr. Bernanke as well as Mr. Geithner say that there will be a reassuring picture of a banking system able to withstand whatever stresses the recession may inflict on it once handful of institutions add to their capital base.

Challenger job cut announcements total 132,600 in April, up 47.3% yoy.

The Senate has approved widening of the FDIC's credit line at Treasury to \$100 billion from \$30 billion. It also approved an increase in the FDIC's credit limit to \$500 billion. The insurance fund's reserves have been depleted by bank failures over the course of the subprime collapse.

The number of borrowers who are underwater on their mortgages were 30% at the end of the first quarter, up from 17.6% in the fourth quarter and 14.3% yoy. This surge in underwater borrowers will cause fewer homeowners to qualify. In addition interest rates are rising. Home sales are still falling off a cliff.

Even though consumer confidence perked up somewhat this past month, as did exports worldwide, world trade is off some 35%. Consumption is showing a fall into negative territory and we do not see a change anytime soon. Deeply in debt consumers simply cannot launch a recovery in the face of rising unemployment. The days of being a mall rat are over. People will have to find other ways to entertain themselves. No more shop until

you drop. Life on borrowed money is coming to an end. The future will be like the 1940s and 1950s, days when you counted every penny.

The quest to get bigger and bigger by companies is over. They can no longer borrow the funds to do so. What lenders want is to lend on collateral that is falling in value? Banks are definitely exacerbating the financial and economic collapse. Our President tells business and individuals to pile on more debt. The fact is they cannot. Our government via lenders, FHA, Fannie and Freddie is again writing subprime loans, the loans that started the economy downhill. Debt is now close to 175% of GDP. The spending psychology, like the housing psychology, has been broken and it will take years to fix.

Behind all these problems is the privately owned Federal Reserve, which refuses to relinquish information on bank bailouts claiming it is a state secret. They won't tell us who has borrowed and how much because of stigma as well. That readers is some \$2 trillion we are talking about. This is the same Fed that made disastrous decisions that caused today's problems. What the Fed is doing is bailing out fellow elitists. They are subsidizing failure and we get to pay for it. There is no such thing as too big to fail.

The US government should let its weakest banks fail, argues economist Nouriel Roubini, whose pessimistic forecasts have earned him the moniker Dr. Doom.

Roubini and fellow New York University economist Matthew Richardson, writing in the Financial Times, ask the question: "Why keep insolvent banks afloat?"

Their answer: "We believe there is no convincing answer; we should instead find ways to manage the systemic risk of bank failures."

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The bank stress tests "could have facilitated this process," the duo explain.

The problem is, "the tests, which measure how viable banks are under adverse economic conditions, have no 'failed' category, even if as many as 10 are reported to need additional capital," they write.

Given that the economic environment already reflects the tests' worst-case scenario, the stress test results will not be credibly interpreted as a sign of bank health, they maintain.

So investors "will conclude that banks requiring extra capital have, in fact, failed," the economists write.

"As a result, these institutions will not be able to raise outside capital and will immediately require government help."

Roubini and Richardson have plenty of allies.

Investor Jim Rogers told CNBC that ailing banks are “ruining the U.S. economy, the U.S. government, the U.S. central bank and the U.S. dollar.”

The world outside Idaho got a little bit smaller Wednesday, as four F-15SG fighter jets flown from St. Louis by the Royal Singapore Air Force landed between rainstorms at Mountain Home Air Force Base.

Greeted by a cheering crowd of more than 100 military personnel from both Singapore and the U.S., the four jets are the first of as many as 10 that will call the airbase home for at least the next 20 years.

More than 300 active-duty and support personnel will make up the 428th Fighter Squadron and train alongside American pilots as part of a partnership between the two countries – though they will not fly on missions.

U.S. Air Force representatives haven’t allowed interviews yet with the Singaporean pilots and crews. But Lt. Col. Keith Gibson, the training squadron’s U.S. commander, said U.S. officials have high hopes for the program.

“The base is very excited to work with the RSAF because this partnership provides important combat readiness training for our Singapore partners, and fulfills the need to train as a team in a multi-national force structure,” Gibson said.

As many as 2,000 active-duty personnel from Singapore may live and work on the base over the life of the program. The squadron will be officially activated at a May 18 ceremony at the base.

The Federal Reserve’s program to kick-start consumer loans may not be helping small businesses get credit, a group overseeing the U.S. financial bailout said. The Congressional Oversight Panel, in a report released today, also said the Term Asset-Backed Securities Loan Facility may not be “well-designed to meet its purpose” in part because of less-than-expected demand. The Bush administration created the TALF last year using \$20 billion from the Troubled Asset Relief Program to restart the market for securities backed by loans used by consumers and small firms for purchases such as cars, equipment, real estate and education. Treasury Secretary Timothy Geithner has expanded the effort and made it a central part of the Obama administration’s market rescue plans. The program “can provide more funds to the lenders for lending, but asset-backed securities have never been the source of significant funding for small businesses,” the panel wrote.

Earlier this week, the Fed said investor requests for loans under the program rose to \$10.6 billion from last month, signaling greater investor interest in the TALF.

Federal regulators plan to disclose today the results of stress tests designed to show which U.S. banks will require additional capital if the recession worsens.

The review of 19 companies has so far found that Bank of America Corp., Wells Fargo & Co. and Citigroup Inc. are among those that need capital, while JPMorgan Chase & Co. and Goldman Sachs Group Inc. are among those that don't, according to people familiar with the decisions.

Bank of America Corp. \$34 Billion Wells Fargo & Co. \$15 Billion GMAC LLC \$11.5 Billion Citigroup Inc. \$5 Billion Morgan Stanley \$1 Billion – \$2 Billion.

American Express Co. No Additional Funds Bank of New York Mellon Corp. No Additional Funds BB&T Corp. No Additional Funds Capital One Financial Corp. No Additional Funds Goldman Sachs Group Inc. No Additional Funds JPMorgan Chase & Co. No Additional Funds MetLife Inc. No Additional Funds State Street Corp. No Additional Funds – [Fifth Third Bancorp](#) Not Yet Available [KeyCorp](#) Not Yet Available [PNC Financial Services Group Inc.](#) Not Yet Available [Regions Financial Corp.](#) Not Yet Available [SunTrust Banks Inc.](#) Not Yet Available U.S. Bancorp Not Yet Available.

Got assets you can't value? Call [Larry Fink](#).

That's what Federal Reserve Chairman [Ben S. Bernanke](#) and Treasury Secretary [Timothy Geithner](#) have done, as have many heads of banks and insurance companies, including [Robert Willumstad](#), former chief executive officer of [American International Group Inc.](#), and current AIG CEO [Edward Liddy](#).

Fink, 56, is CEO of [BlackRock Inc.](#), the U.S.'s biggest publicly traded asset management firm, with \$1.3 trillion under management for clients that include [Ford Motor Co.](#) and [Microsoft Corp.](#) BlackRock, like many other money managers, has taken some hits in the credit crisis. It also loaded up on [Lehman Brothers Holdings Inc.](#) stock, for example, buying shares last June at \$28 only three months before Lehman declared bankruptcy. One BlackRock fund that rushed in to buy distressed debt in September 2007 saw its value plunge 25 percent during the following 12 months.

More recently, mirroring results at rival firms, BlackRock's first quarter profits fell 65 percent to \$84 million after stock and bond market declines hurt its fees.

Fink has a way of making good money in bad times. A decade ago, he created a subsidiary called BlackRock Solutions, looking to capitalize on ever-more-sophisticated risk-management analytics that the firm was running for clients, including mortgage giant [Freddie Mac](#), that needed help in assessing stressed portfolios or in deciding whether an investment made sense.

[Fannie Mae](#), operating under a federal conservatorship since September, asked the U.S. Treasury for a \$19 billion capital investment as a seventh straight quarterly loss drove the mortgage-finance company's net worth below zero.

A wider first-quarter [net loss](#) of \$23.2 billion, or \$4.09 a share, pushed the company to request its second draw from a \$200 billion funding commitment from the government, Washington-based Fannie Mae said in a filing today with the Securities and Exchange Commission. The company took \$15.2 billion in April.

[Morgan Stanley](#) raised \$7.5 billion selling stock and debt, 50 percent more than it announced yesterday, to cover a \$1.8 billion capital shortfall and repay government bailout funds.

The bank raised \$3.5 billion by selling 146 million shares at \$24 apiece, 12 percent below yesterday's closing [price](#). The New York-based company also sold \$4 billion in debt in its first transaction not guaranteed by the U.S. Federal Deposit Insurance Corp. since that backing became available last year.

Options traders are increasing wagers that the [Standard & Poor's 500 Index](#)'s 34 percent rally in the past two months is coming to an end.

Futures on the [Chicago Board Options Exchange Volatility Index](#) are priced above the gauge's level of 33.44, according to data compiled by Bloomberg. The so-called VIX, which measures the cost of using the options as protection against market declines, has dropped 16 percent this year in CBOE trading.

Dealers are charging more for insurance after better-than-estimated corporate profits at companies ranging from [American Express Co.](#) to Ford Motor Co. and economic reports on home sales and durable goods sent the S&P 500 to its steepest eight-week [rally](#) since 1938. Now, the so-called [term structure](#) shows higher prices for VIX futures for the next six months.

[JPMorgan Chase & Co.](#), the biggest U.S. bank by market value, says it may be charged with violating federal securities laws for selling fixed-income financing that helped push Alabama's most populous county to the brink of bankruptcy.

The potential sanctions by the U.S. Securities and Exchange Commission, disclosed yesterday in two sentences of a 162-page quarterly [regulatory filing](#), relate to a series of bond and interest-rate swap sales in 2002 and 2003 for sewers in Jefferson County, which covers about 1,125 square miles including Birmingham, the state capital with more than 240,000 residents.



Until recently, the little-known Securities Investor Protection Corp. was flying high, confident its \$1.7 billion fund was more than enough to insure investors against brokerage failures and fraud for years to come.

For a decade, the agency did not raise how much it charged brokerage companies for insurance: only \$150 a year to insure every account for up to \$500,000 whether it was Merrill Lynch, a small-time broker, or admitted Ponzi scheme operator Bernard Madoff.

Then came the financial collapse of 2008, which included Madoff's \$65 billion swindle. The cost of the claims in the Madoff case is expected to be in the hundreds of millions of dollars – and could wipe out the fund's assets. SIPC officials, who for years have said the fund could withstand the most severe economic shocks, now acknowledge that it is in danger of dropping far below adequate levels.

As a result, they have dramatically raised insurance rates on brokerage firms, increasing the annual fee from \$150 to 0.25 percent of each brokerage's net operating revenues, which could cost millions of dollars a year at some firms. The agency, created by Congress but privately run, also has a \$1 billion line of credit with the Treasury Department that it might have to tap for the first time in its history.

Consumer borrowing plunged in March at the fastest pace in 18 years as Americans put away credit cards and hoarded cash.

The Federal Reserve said yesterday that consumer borrowing dropped 5.2 percent, the biggest decline since an 8.1 percent fall in December 1990.

In dollar terms, consumer borrowing plunged by \$11.1 billion – the largest amount on record since 1943, and more than three times the \$3.5 billion drop economists had expected.

The borrowing category that includes credit cards dropped 6.8 percent in March after a 12.1 percent plunge in February. The category that includes auto loans fell 4.2 percent after rising by 1.2 percent in February.

The Commerce Department last week said that the personal savings rate edged up to 4.2 percent in March, marking the first time in a decade the savings rate has been above 4 percent for three straight months.

Consumer spending, which accounts for about 70 percent of total US economic activity, fell 0.2 percent in March, ending an otherwise strong quarter. Consumer spending grew at an annualized rate of 2.2 percent in the first quarter, according to government data.

US wholesale inventories fell for a seventh straight month in March as sales returned to

negative territory after posting a small gain in February, a government report released Friday showed.

Wholesale inventories fell 1.6% in March to a seasonally adjusted \$411.7 billion, after falling a revised 1.7% during February, the Commerce Department's report said.

The Department in a report released last month had estimated February inventories fell 1.5%. The February drop in inventories is the largest on record.

The March drop in inventories is more than the 1.2% decline analysts had expected and indicates wholesalers are drawing down inventories as shipments to retailers remain weak.

Sales of U.S. wholesalers dropped 2.4% in March to a seasonally adjusted \$310.9 billion after a downwardly revised 0.2% increase in February, the data showed. Originally, February sales were estimated to have gained 0.6%.

The inventory-to-sales ratio, a measure of the number of months it would take a business to deplete its current inventory, increased slightly to 1.32 from 1.31 in February. The March 2009 figure is above the March 2008 ratio of 1.12.

On a year-over-year basis, sales were down 18.1% in March, while inventories were down 3.5%.

Wholesalers' inventories of durable goods – a category that includes cars, appliances and furniture – fell 2.4% in March, after falling a revised 2.6% in February.

Sales of durable good fell 3.3% in March, on the heels of a revised 1.7% increase in February.

Auto stocks fell 5.0%, while auto sales declined 0.6%. That compares with a 7.9% drop in auto stocks in February amid a downwardly revised 3.5% increase in sales.

Lumber sales in March fell 3.1%, while furniture sales fell 2.5%.

Non-durable goods inventories fell 0.3% in March, following a 0.2% drop the month before. March non-durable goods sales fell 1.6%, after dropping a revised 0.9% in February.

Petroleum stocks rose 7.9% amid a 5.1% decrease in sales. Farm product inventories rose 4.7%, while sales fell 3.9%

The economy has continued destroying employment in April although at a somewhat slower pace than in previous months; Non farm Payrolls declined by 539,000 last month, according to data released by the U.S. Department of Labor

April's decline, despite being a large one, is the lowest of the last four months, as payrolls fell by 699 K in March and by 651K in February. The Unemployment rate, however, has increased to 8.9% in April, from 8.5% in March

Euro and Pound have rocketed on Payrolls data. EUR/USD has jumped from around 1.3440 to levels right above 1.3500 inutes after NFP datas was released.

Employers are letting up a bit on the mass layoffs they resorted to earlier this year to cope with the recession, but the unemployment rate is climbing because many businesses remain wary of hiring given all the economic and financial uncertainties.

The Labor Department on Friday is slated to release a report expected to show that a net total of 620,000 jobs were lost in April. If analysts are correct, the figure — while still big —

would be an improvement from March's 663,000 job losses and mark the fewest reductions since November.

The deepest job cuts of the recession, which started in December 2007 and is now the longest since World War II, came in January: 741,000 jobs vanished then, the most since the fall of 1949.

"I think the worst has passed in terms of losses," said John Silvia, economist at Wachovia. "But the jobs situation will remain tough."

With few places for the out-of-work to land, the unemployment rate is expected to jump to 8.9 percent, from 8.5 percent in March. If that happens, it would mark the highest jobless rate since the fall of 1983, when the country was recovering from a severe recession that drove unemployment past 10 percent.

The American economy lost another 539,000 jobs in April and the unemployment rate leapt to 8.9 percent, the government reported Friday, yet the deterioration was slightly milder than expected, buoying hopes that better days are approaching.

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In the midst of the worst economic contraction in decades, some small business owners are experiencing an additional—and brutal—cash squeeze, this time at the hands of their credit-card processors. The recession and rising business bankruptcies have prompted giant credit-card companies such as Denver (Colo)-based First Data and Atlanta-based Elavon to demand that some business owners maintain a cash reserve with the processors in order to protect against the possibility that customers may require refunds after the merchants have gone belly-up. Most processing agreements give the transaction giants the right to accumulate those reserves simply by holding back money the merchant is supposed to be paid after a credit-card transaction has cleared, often with little or no warning.

Dan Price, chief executive officer and co-founder of Gravity Payments, a card processor in Seattle, says he has seen "dramatically more" cases of reserves being created for small accounts in the past year. He says he has not asked any of his clients for reserves but has requested regular financial statements from customers that might pose a risk. Price says the size of reserves varies greatly, but it is common to require an amount equal to one or two months' worth of transactions.

The ramifications on even a well-established company can be dramatic. "In two weeks we would have been in bankruptcy," says Angie's List CEO Bill Oesterle, whose processor, Elavon, tried to withhold a reserve of \$2.5 million from his \$35 million company. Oesterle

was instead able to change processors quickly, and with help from his lawyers, got his money back in about three weeks.

When a processor agrees to clear a company's credit-card transactions, the processor then becomes responsible for providing customer refunds. When an unhappy consumer asks their credit-card company for a refund, the credit-card issuer gets that money from the processor. The processor, in turn, pulls the money from the merchant's account. If the merchant has gone under, the processor has to eat the loss. With business bankruptcies on the rise, processors fear dishonest merchants might close up shop and skip town, leaving the processor on the hook for any refunds. "Before bankruptcy, some [unscrupulous] merchants will create lots of transactions," says Richard Speer, CEO of financial consultancy Speer & Associates, based in Alpharetta, Ga. Common triggers for the establishment of a reserve include a sudden surge in activity and individual transactions that have large dollar amounts.

U.S. Treasury Secretary [Timothy Geithner](#) said on Friday the Obama administration will provide substantial support to troubled lender GMAC, a vital provider of financing for buyers of U.S.-made cars.

"It's likely, again, that GMAC will need to take additional capital from the government and we'll be prepared to provide that," Geithner said in an interview with Reuters Television.

The Treasury and U.S. banking regulators said on Thursday that GMAC needs to raise \$11.5 billion to fill a capital hole it could face if the economy were to deteriorate further.

Some Republicans still don't understand why mainstream America is soup set with their Party.

Now that Sen. Arlen Specter has defected to the Democrat Party, many prominent Republicans are openly recruiting liberal Republicans to run against Specter.

And at the top of their list is Tom Ridge.

Ridge is the turncoat Republican whose vote was crucial in passing the semi-auto ban in 1994.

After having opposed a similar ban in 1991, then-Rep. Tom Ridge flip-flopped and teamed up with Charles Schumer (D-NY) to pass the semi-auto gun and magazine ban. The gun ban passed narrowly, 216 to 214, thanks to Tom Ridge.

Later, as Governor of Pennsylvania, Ridge signed one of the most restrictive gun control laws in the State's history — the infamous Act 17, which registered and taxed long gun buyers and placed other restrictions on Keystone State gun owners.

As the head of the Department of Homeland Security, Tom Ridge opposed arming pilots. He asked, sarcastically, if pilots carry guns, then should we also arm railroad engineers and bus

drivers? As DHS Director, Ridge should have led the charge to arm pilots and people in other positions that fell under the agency's purview.

Instead, he just repeated the same tired old anti-gun line that we hear every time a state passes a concealed carry handgun law.

Guess who else opposed the armed pilots program? Pennsylvania's "Benedict" Arlen Specter, who was one of only two Republican Senators to vote against the bill.

The last thing we need is another elitist in Congress who does not trust law-abiding citizens with firearms. And yet, wishy-washy Republican

Senators like Utah's Orrin Hatch and South Carolina's Lindsey Graham are touting Ridge over Specter. In other words, let's replace one turncoat with another.

There is a better option. His name is Pat Toomey, a Gun Owners of America "A" rated pro-gunner who served in the U.S. House of Representatives for three terms, before honoring a self-imposed term limit and retiring in 2004.

Those who are pushing anti-gunner Tom Ridge claim that Pat Toomey is unelectable because he's "too conservative" for Pennsylvania.

But that's what self-appointed experts said before Toomey got elected term after term in a largely Democrat district in the eastern part of Pennsylvania. And that's what they said before he accrued a gigantic lead in the polls over a sitting Senator this year, forcing Specter to jump parties.

It was Pat Toomey who forced Specter to jump to the Democrat Party. Toomey — who was backed by Gun Owners of America Political Victory Fund — was leading Specter in polls by an overwhelming margin.

That's also what they said about Ronald Reagan — who was supposedly too conservative to win a national election. (By the way, Reagan also won Pennsylvania.)

Bottom line: We need to put these squishy politicians on alert. Their internal party politics is their business. But when party leaders start pushing noted gun banners — using the money contributed by millions of gun owners around the country — we're not going to remain silent.

Texas Senator John Cornyn is the head of the National Republican Senatorial Committee. Michael Steele heads the Republican National Committee. The decision to support an anti-gunner over a defender of the Second Amendment rests largely in their hands.

**ACTION:** Please urge Senator John Cornyn and Chairman Michael Steele not to interfere in Pennsylvania's primary. There is already a pro-gun, electable conservative running in the primary who deserves their support.

You can contact NRSC's Sen. Cornyn at [info@nrsc.org](mailto:info@nrsc.org) or by phone at (202) 675-6000.

You can contact RNC Chairman Michael Steele at [chairman@gop.com](mailto:chairman@gop.com) or by phone at (202) 863-8700.

## COMMODITIES

The DOE reports crude oil inventories rose 167,000 barrels, gas fell 167,000 barrels and distillates rose 2.43 m/b.

### **GOLD, SILVER, PLATINUM AND PALLADIUM**

[The Royal Mint](#), established in the 13th century, used 75 percent more gold in the first quarter amid a surge in demand for bullion to diversify investments.

The U.K. mint made 28,496 ounces of gold coins in the quarter, compared with 16,317 ounces a year earlier, according to data obtained by Bloomberg News under a Freedom of Information Act request. Production last year rose 30 percent to 53,089 ounces, the data show.

Demand for gold and exchange-traded funds linked to the metal accelerated as equities collapsed and governments spent trillions of dollars to combat recessions. The Austrian mint, [Muenze Oesterreich AG](#), sold a record 1.5 million ounces of gold last year, while the [U.S. Mint](#)'s sales of 1-ounce American Eagle gold coins more than quadrupled in January to 92,000.

"People are worried about their savings and banks, and a lot of people realize it's a safe-haven asset," said [Mark O'Byrne](#), managing director of brokerage Gold and Silver Investments Ltd. in Dublin. "Very few people are selling."

Investment in the [SPDR Gold Trust](#), the biggest ETF backed by bullion, has expanded to 1,104.45 metric tons, overtaking Switzerland as the world's sixth-largest gold holding. Gold has advanced for eight consecutive years, the longest winning streak since at least 1948, according to data compiled by Bloomberg.

The Royal Mint is now based in Llantrisant, Wales. Its 2009 [Gold Proof Sovereign](#) coin, made from 22-carat gold and weighing 7.99 grams (0.26 ounce) sells for 299 pounds (\$450), according to the government agency's Web site. Gold for immediate delivery averaged \$904.18 an ounce this year, compared with \$872.25 an ounce last year.

The Mint's use of silver declined 10 percent to 74,793 ounces in the first quarter, the data show. Production last year fell 14 percent to 240,759 ounces. The metal fell 23 percent last year in London.

Wednesday saw June gold rise \$8.80 to \$911.00 as silver rose \$0.29 to \$13.71. Outside contracts were similar. Open interest in gold rose 2,520 contracts to 334,360, as silver OI rose 604 to 81,050. The ETF-GLD tells us their inventory has been unchanged for eight business days. If you believe that we have a tooth fairy we'd like to introduce you too. The ECB says, gold and gold receivables last week fell 12 million euros, or 0.54 tons. One bank sold and another bought. The Tocom is closed for the week. The HUI rose 15.68 to 335.62.



Richard Russell has discovered, as we did a few months ago, that gold is in a giant long-term reverse head and shoulders bottom pattern. The right shoulder is being completed and gold could catapult upward at any time, solidly breaking through \$1,025. This will have huge implications for the world monetary situation. It is tragic for most Americans, including most of our Congress.

The market climbed again with the Dow up 101 to 8512; S&P rose 141 and Nasdaq 30 Dow points. We detect some weakness. The 2-year was 0.96%; the 10's 3.16%; the 1-month Libor 0.40% and the 3-month 0.99%.

The yen rose .0070 to \$.9832; the euro rose .0039 to \$1.1349; the pound rose .0061 to \$1.5129; the Swiss franc was up .0027 to \$1.3307; the Canadian dollar rose .0063 to \$.8568 and the dollar index, USDIX, fell .18 to 83.97.

Oil rose \$2.15 to \$56.34; gas rose \$0.02 to \$1.63 and natural gas rose \$0.16 to \$3.98. Copper rose \$0.29 to \$2.19; platinum rose \$3.10 to \$1,141 and palladium rose \$5.85 to \$228.05. The CRB index rose 5.64 to 237.48.

Early Thursday markets were slightly stronger. The Dow rose 63 to 8534; S&P was up 52; Nasdaq gained 14 and the FTSE gained 166 Dow points. The Nikkei rose 408; the CAC gained 61 and the DAX rose 80. The yen fell .0064; the euro rose .0011 and the pound rose .0023. The 2-year was 0.99% and the 10's were 3.24%, a gaping breakdown. 1-month Libor was 0.40% and the 3-month was 0.97%. Oil rose \$1.53 to \$57.87 as the result of profit taking in the market and rotation into commodities, the next day. It certainly won't be the long side of the long bond market or long interest rates. Gas rose \$0.04 to \$1.67 and natural gas rose \$0.02 to \$3.91. Gold rose \$4.60 to \$915.60; silver gained \$0.25 to \$13.96 and copper was up \$0.02 to \$2.20. Can it break out?

On Thursday June gold fell \$0.50 to \$911.30, as July silver rose \$0.13 to \$13.84. The cartel sat on gold all day long. Mr. Bernanke spoke again and the market fell again. Mr. Geithner spoke after the close when it was safer. Gold open interest rose 7,101 contracts to 341,461, as silver OI gained 427 contracts to 89,447. The HUI fell 3.50 to 332.12, as those in the index fell fractions.

For the 4th day in a row the Nasdaq 100, which has led the current rally seemed to be faltering. The Dow fell 102 to 8409; the S&P fell 83 and the Nasdaq fell 254. The interest rates are headed relentlessly higher. The 2-year yielded 0.99% and the 10's 3.32%.

The yen fell .0069 to \$.9899; the euro rose .0022 to \$1.3371; the pound fell .0137 to \$1.4992; the Swiss franc fell .0002 to \$1.1309; the Canadian dollar fell .0049 to \$.8519 and the USDIX rose 2 to 83.83.

Oil rose \$0.03 to \$56.37; gas rose \$0.01 to \$1.67 and natural gas rose \$0.28 to \$4.15. Copper rose \$0.05 to \$2.14; platinum rose \$9.90 to \$1,153 and palladium rose \$11.05 to \$239.10. The CRB rose 2.05 to 239.53.

Early Friday was up again as the "Working Group on Financial Markets" manipulates the market and specifically financial stocks. These banks are coming to market with stock for sale to fund their insolvent companies. Now you can understand why they doubled in price over the past two months. The buyers are headed to severe losses.

The Dow rose 86 to 8471; S&P rose 83, Nasdaq gained 53 and the FTSE gained 96 Dow

points. The Nikkei rose 47 to 9433; the CAC rose 64 and the DAX 118. The 2-year T-bill broke down to yield 1.01%; the 10's were 3.35%; 1-month Libor 0.38% and 3-month 0.96%.

Oil rose \$0.97 to \$57.68; gas rose \$0.02 to \$1.69 and natural gas rose \$0.09 to \$4.17. Gold rose \$1.20 to \$916.70; silver fell \$0.10 to \$13.94 and copper rose \$0.02 to \$2.18.

On Friday the gold and silver market dueled with the forces of evil again and came out decently. Spot gold rose \$5.00 to \$916.00. The June contract was \$917.00, up \$1.50. Spot silver rose \$0.18 to \$14.01 and July was off \$0.04 to \$13.99. The shares were strong again. The XAU rose 4.61 to 138.29 and the HUI rose 11.23 to 343.34. Gold and silver were helped by a lower dollar. The yen rose .0063, or to \$.9837; the euro rose .0250 to \$1.3621; the pound rose .0234 to \$1.5216; the Swiss franc rose .0200 to \$1.1059; the Canadian dollar rose .0168 to \$.8687 and the USD, dollar index, fell 1.51 to 82.43.

Oil also aided gold and silver rising \$2.06 to \$58.77, gas rose \$0.03 to \$1.70 and natural gas rose \$0.27 to \$4.35.

Copper fell \$0.01 to \$2.15; platinum fell \$3.80 to \$1,153.00 and palladium rose \$2.00 to \$243.70. The CRB rose 3.70 to 243.23.

The market and the financials rose again; the Dow rose 165 to 8575; S&P rose 197 and Nasdaq 137 Dow points. This week the former leader Nasdaq showed weak gains and that could be a precursor to a downward break in the market. The 2-year Treasury yielded 0.97 after hitting a recent high this morning and the 10's were 3.29% after hitting 3.35 at 4:00 a.m. this morning. That will help gold and silver as well.

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The Department in a report released last month had estimated February inventories fell 1.5%. The February drop in inventories is the largest on record.

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