US Economy: More Unemployment. Slowdown in the Pace of Job Losses

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The number of Americans filing first- time claims for unemployment benefits fell last week to the lowest since January, a sign the labor market is deteriorating more slowly as the economy emerges from the recession.

Applications fell by 33,000 to 521,000, lower than forecast, in the week ended Oct. 3, from a revised 554,000 the week before, Labor Department data showed today in Washington. The total number of people collecting unemployment insurance dropped in the prior week to the least since March.

While the figures indicate improvement, government data last week showed more job cuts than forecast for September and a rising jobless rate. President Barack Obama pledged to "explore any and all additional measures" to spur growth, as last week's report underscored that gains in consumer spending may be hard to sustain once stimulus programs expire.

"The pace of job losses has slowed," Steven Wood, president of Insight Economics LLC in Danville, California, said before the report. Even so, he said, mounting unemployment will mean "sluggish economic growth over the next year."

Economists forecast weekly claims would drop to 540,000 from a previously reported 551,000, according to the median of 45 projections in a Bloomberg News survey. Estimates ranged from 530,000 to 560,000.

Continuing claims dropped by 72,000 to 6.04 million in the week ended Sept. 26 from 6.11 million in the prior week.

Nationwide, the number of long-term unemployed people hit a record 5.4 million in September, or 35.6% of the jobless.

The U.S. House approved $82.8 billion for federal nutrition programs ranging from food stamps to school lunch on Wednesday, including a plan to compensate poor families for lunches missed during flu epidemics.

The money is part of a $121 billion funding bill for the Agriculture Department and the Food and Drug Administration for the fiscal year that began Oct 1. Nutrition spending would rise by $6.6 billion from fiscal 2009, a reflection of the recession. [Pure socialism]

Measured in euros, U.S. per capita GDP is down 25% since 2000. Bond buyer Bill Gross of the Pimco fund summed up the situation nicely in a recent CNBC interview. Asked whether low interest rates will weaken the dollar, the influential allocator of global capital said: "I think that's part of the administration's plan. It's obviously not announced—the 'strong dollar' is always the policy, so to speak. One of the ways a country gets out from under its debt burden is to devalue."

Investors have been playing this weak-dollar trade for years, diverting more and more dollars into commodities, foreign currencies and foreign stock markets. This is the Third-World way of asset allocation.

Corporations play this game for bigger stakes, borrowing billions in dollars to expand their foreign businesses. As the pound slid in the 1950s and '60s and the British Empire crumbled, the corporations that prospered were the ones that borrowed pounds aggressively in order to expand abroad. Though British equities rose in pound terms, they generally underperformed gold and foreign equities. At the end of empire, the giant sucking sound was from British capital and jobs moving offshore as the pound sank.

From the euro perspective, the S&P peaked at 1700 in 2000, finally re-attained 1100 in the 2007 bubble, fell below 600 in March and now stands at 700 (see nearby chart). With most of the market capitalization of U.S. stocks held by Americans, the dollar devaluation has caused a massive decline in the U.S. share of global wealth.

The U.S. Commerce Department launched an investigation Wednesday into whether to impose antidumping and countervailing duties on imports of certain seamless steel pipes from China.

The State of Illinois' pile of unpaid bills has grown to a record-breaking $3 billion. The comptroller reported corporate income tax receipts down $77 million for July through September; sales tax receipts, down $244 million; personal income tax receipts, down $251 million.

It appears destined for a taxpayer bailout in the next 24 to 36 months," said Edward Pinto, a consultant who was chief credit officer from 1987 to 1989 for Fannie Mae.

In a sign that more banks are under great pressure from the recession, 34 financial institutions did not pay their quarterly dividends in August to the Treasury on funds obtained under the Troubled Asset Relief Fund (TARP). The number almost doubled from 19 in May when payments were last made, and also raised questions about Treasury's judgment in approving these banks as "healthy," a necessary step for them to get TARP funding.

"Perhaps the Treasury made assumptions that were a little bit too rosy," says Walter Todd, who invests in banks at Greenwood Capital. "My question is also whether the Treasury is staffed adequately to handle this tremendous undertaking."

The U.S. government ended its 2009 fiscal year with a deficit of $1.4 trillion, the biggest since 1945, the Congressional Budget Office reported.

The deficit amounted to 9.9 percent of the nation's economy, triple the size of the shortfall for 2008.

The nonpartisan CBO said yesterday the government was squeezed on both sides of the budget ledger in the fiscal year that ended Sept. 30. Tax revenue fell by $420 billion, or 17 percent, to the lowest level in more than 50 years.

Individual income taxes, the biggest source of tax receipts, fell by 20 percent, the agency said. Corporate income taxes dropped by 54 percent, reflecting the slow economy. At the same time, federal spending rose by 18 percent, the CBO said. About half of the spending increase, $245 billion, was driven by the costs of bailing out the financial industry and taking over mortgage financiers Fannie Mae and Freddie Mac.

The spending increases and tax cuts included in the economic stimulus package approved in February added almost $200 billion to the 2009 deficit, the CBO said.

After three years of major increases in federal Pell grants for needy college students, President Obama aims to boost the aid further with $40 billion in funding over the next decade. But even that influx might not ensure that the grants will recover and sustain the purchasing power they once held.

Experts agree on the reason: soaring college costs.

In the late 1970s, the maximum Pell award covered more than two-thirds of tuition and fees for a public four-year university. In the 1980s, it covered roughly half of such expenses. In the last school year, it covered about a third.

Used vehicle prices shot to an all-time high last month, spurred by falling inventories, according to a closely watched barometer of the second-hand car business.

For those in the market for a used car, that's not necessarily bad news, said Tom Webb, chief economist at Manheim Consulting, which produces the index of the used car market. That's because the value of trade-in vehicles are fetching record prices, he said.

But those buying their first car or who aren't looking to trade in a vehicle will find themselves stuck paying the higher price, Webb said.

The Manheim Used Vehicle Value Index rose 6.9% in September to a record high of 118.5. The index is adjusted for vehicle mix and seasonality. A value of 100 represents used vehicle prices in January 1995.

The index reflects the wholesale, or trade-in, value of vehicles. But Webb said retail prices move "pretty much in lockstep" with wholesale values.

The main driver behind higher used car prices is falling wholesale vehicle supply, Webb said. This summer's wildly popular cash for clunkers program sent new vehicle sales soaring, taking dealers by surprise and clearing out inventories.

Even though new car sales dropped off in September, auto factories struggled to catch up and inventories remained low.

In addition, he blamed falling vehicle turnover from rental car companies, many of whom have taken a beating in the economic recession.

Home sellers cut their asking prices by a total of $28.4 billion to attract buyers as the real estate recovery stalled, Trulia Inc. said.

The average discount was 10 percent as of Oct. 1, the San Francisco-based real estate data provider said today. Homes listed for more than $2 million were cut the most, with owners taking an average of 14 percent off the original price. Luxury homes accounted for 25 percent of all of the reductions.

Sales of existing U.S. homes unexpectedly fell in August for the first time since March, according to the National Association of Realtors, signaling the recovery will be slow to gain speed. The median price dropped 12.5 percent from August 2008.

Consumers have to be slashing the prices of the homes they list," Pete Flint, chief executive officer of Trulia, said in an interview. There's a "significant inventory" of homes for sale. "You're still going to see further price declines before the market stabilizes in 2010.

Half of the 10 states with the highest percentage of discounted homes are in the Northeast: Massachusetts, Rhode Island, Connecticut, New Hampshire and New Jersey.

A third of residences for sale in those states were reduced at least once, Trulia said. New York, California and Florida accounted for 35 percent of the total value of price cuts nationally. In Nevada, Idaho, Arizona, Wyoming, Hawaii, Utah and California, sellers have dropped an average of 13 percent off the original price, according to Trulia.

Inventories at U.S. wholesalers dropped in August for a 12th consecutive month, clearing the way for a pickup in orders as sales improve.

The 1.3 percent decrease in stockpiles was larger than anticipated and followed a revised 1.6 percent drop in July, figures from the Commerce Department showed today in Washington. Wholesale inventories have had the longest series of declines since records began in 1992. Sales climbed 1 percent, the biggest gain since June 2008.

Distributors will likely increase bookings after companies drew down inventories at a record pace in the first half of the year. The gains may give the world's largest economy a boost in the early stages of a recovery as American factories rev up assembly lines to prevent stockpiles from dwindling even more.

[This is truly unbelievable, this is the same man that is extending the war in Afghanistan into Pakistan. It shows you how much control the Illuminati has. Next we will read the President's dog has been made ambassador to Kenya.] U.S. President Barack Obama was named the recipient of the 2009 Nobel Peace Prize on Friday: "For his extraordinary efforts to strengthen international diplomacy and cooperation between peoples."

The announcement came early this morning, and comes as President Obama is considering how much to increase troop levels in the war in Afghanistan.

As the sky hinted at dawn, U.S. soldiers went hunting for Taliban in the Arghandab Valley. They had satellite-linked monocles to display the locations of platoons. They could summon an aerial drone to buzz overhead with a surveillance camera. They could call on Kiowa helicopters for search-and-destroy missions.

On this mission, however, one of their most valuable assets was an informant: a farmer with a taste for opium.

"It all came down to one guy who said, 'The Taliban stole my motorcycle.' He was high, and he was pissed, and he give us the tip on where to find them," said Sgt. Kenneth Rickman, 34, of Vandalia, Ill.

The U.S. trade deficit unexpectedly narrowed in August as exports climbed to the highest level of the year and oil imports plunged.

The gap fell 3.6 percent to $30.7 billion from a revised $31.9 billion in July, the Commerce Department said today in Washington. A rebound in auto making contributed to a jump in exports to Canada, while a drop in the number of barrels of petroleum bought abroad swamped an increase in fuel prices.

More than $2 trillion in government stimulus programs are reviving demand from Asia to Europe, ensuring American factories benefit from growing sales overseas as the dollar falls. Gains in production and the need to replenish depleted inventories mean imports will probably also grow in coming months.

“The credit crisis has forged an even larger gap between the rich and poor, though it might not last for long,” writes Ian Mathias in today’s issue of The 5. “The richest 10% of Americans made at least $138,000 each this year, according to Census data released last week. That’s a record high 11.4 times the average income for the opposite end of the spectrum: the poverty line around $12,000. Pre-crisis multiples were closer to 11.2.

“The middle class is getting credit crunched too. The median household income has fallen $1,860 over the last year – wiping out a decade of slow gains – to $50,303.

“But if history is any guide, this trend may be near its peak. At present, about a quarter of America’s total income is earned by 1% of its population (amazing, eh?). That level has only been attained once in US history – ironically, 1928, right around the start of the last economic depression. What followed then was a 50-year trend in the other direction.

The 10-year Treasury note auction, bid-to-cover, was 3.01 versus an average of the past ten auctions of 2.55. Indirect participation of 47.4% was versus an average of 32.68% over the past ten auctions. The Fed has gone ballistic buying and monetizing Treasury paper.

Total consumer credit plunged $11.98 billion in August. The total outstanding fell 5.81% to $2.46 trillion. July fell $18.98 billion.

Non-revolving credit, which includes closed end loans for cars, boats, holidays, or education fell $2.07 billion, or at a 1.59% rate, to $1.56 trillion.

Revolving credit, credit and charge cards, fell $9.91 billion, or at a 13.08% rate to $899.4 billion.

Banks have only set aside $0.38 in reserves for every $1.00 in bad loans.

We guess General McChrystal’s remarks and request for more troops must have touched a nerve in the shadow government, because the Illuminists dragged out old Illuminist war dog retired General Brent Snowcroft. Snowcroft tells us a retreat from Afghanistan would have catastrophic consequences for Pakistan. He connected the war in that region with terrorism in the US. He said the idea of pulling out troops isn’t on the table. Failure to leave behind a stable Afghanistan would jeopardize the counter-terrorism campaign. Snowcroft expressed concern about a general advocating his point of view publicly while administration deliberations continue.

We believe that there is major conflict in Washington over an escalation of the war. The Illuminists want the war widened and more aggressive. There is nothing intense and complex about the war. The US is the aggressor and the Taliban and others want them out. The plan isn't going well for the elitists and that is why they want 300,000 troops and 200,000 mercenaries to suppress Afghanistan and occupy Pakistan.

Assertions by our elite in Afghanistan and Pakistan, as well as in our economy, have nothing to do with reality. Mr. Bernanke, Fed Chairman, will never admit that the greatest credit bubble ever has now burst and that $12.7 trillion in money and credit has done nothing but bailout banking and Wall Street. This is the same kind of financial and economic chaos we saw in 2000 and 2004, and was neutralized by a real estate boom created by the Fed. This time they are trying to keep the stock market up and that won't last much longer.

Even with massive suppression and manipulation the Illuminists, as we have predicted for ten years, can't keep the price of gold down. Gold is telling us that the Fed game is over, and a real gold market has emerged. We are now going to experience the antithesis. Americans are now realizing they are trapped in debt and they want out. People are finally realizing that we are in an inflationary depression. After they clear debt they will next buy gold and silver, the only safe place for their assets.

The elitists, by way of the G-20 and G-7 have let us know that the new reserve currency will be the SDR, Special Drawing Right, another fiat currency issued by the IMF. Of course, it is also the intention that SDR's will replace gold and silver as money as well. What this means is that the US and other nations will be stripped of their sovereignty. The Fed and the G-20 believe raising interest rates will stop the rise of gold. They are wrong. If you look at higher rates you will see that gold rallies up to a certain point and then stops climbing higher after we are about 80% into the rise. The flip side is the higher rates in this case, as in 1981 to 1983, the economy collapses. Today it means the collapse of the entire system and depression for years to come. The Illuminists won't do that until they have too, or are forced too. Central banks have always hated gold. It makes them honest and keeps them from creating endless money and credit. The bottom line is the price of gold will go much higher and the dollar will collapse and they know that. Higher interest rates could bring in more debt buyers, but a dollar flow into the US would add to inflation. Quite frankly the elites are faced with the worst of all worlds. The Fed and the Treasury are telling us that they are not going to let gold go higher. They are mistaken. They have too if they are going to allow the dollar to fall – albeit slowly. Slowly only delays the inevitable and will make the outcome more damaging. There is no such thing as a stable steady decline. The dollar has to be inflated and depreciated to prop up the banks and Wall Street. Government commitments are $105 trillion. It is impossible to fund such debt. That means the dollar has to be officially devalued when the USDX reaches 40. The reason why is revenues never reach outlays and that means that the debt can never be fully repaid. You might even call it a fraudulent system. At the heart of the situation is the fractional banking system controlled by the Federal Reserve that creates money and credit out of thin air, so that more money can be lent, so bankers can be paid off. This depreciates the value of money outstanding via inflation, which in turn robs people of their buying power. Some call this a tax on the people, which it most certainly is.

The secret plotting by China, Russia, France, Japan and the Gulf States to substitute a basket of currencies and gold for the dollar in trade is a natural course of events, which should have happened long ago. This is a step forward, but the big question is where are they going to invest their surpluses? If they do not want the dollar in trade then they won't want it for investment, unless it is officially devalued and backed by gold. The world has 62.8% of foreign reserves in dollars, down from 64.5% six months ago. Show dollar erosion will be allowed for the next 1-1/2 to 3 years, but other nations are going to have to come to grips with the problem. The only solution is a meeting to devalue and revalue all currencies against one another and a world debt settlement between nations.

The dollar has been doomed since 8/15/71, when it left the gold standard. Currently it has a major balance of payments problem, massive amounts of bad assets, false bookkeeping, zero interest rates, public debt of 100% of GDP and the addition of money and credit running at 21%. In addition debt is massive.

In 2008 the market fell due to de-leveraging and everything fell with it. That won't happen again. That was a once in a lifetime event. The rules are different today. Most of the de-leveraging has been completed. Those who see a repeat are going to be sadly mistaken.

Other nations are not blameless. China and all others keep cheapening their currencies to increase exports to keep from having unrest and devaluation at home. For six months China dumped dollars yet in order to keep the yuan cheap they bought a total of $50 billion in Treasuries in July and August to augment the $1.4 trillion in dollar denominated paper. Chinese exports, which had fallen 45%, fell only 23% in August. China is cutting emphasis on exports, which are 38% of GDP, and are now concentrating on internal growth. These tactics have caused the yuan to depreciate against the euro, which is causing major problems for Europe where unemployment continues to rise. We see rising protectionism as the answer for both Europe and the US. Both know they cannot compete against slave labor and they only tolerated the situation to fund debt and keep inflation at bay. Those games are coming to an end.

The percentage of unemployed who couldn't find a job before drawing their last benefit check should decline precipitously in coming weeks. This will not be a sign of an improving economy; it will reflect the exhaustion of benefits and another drag on the economy.

Every 13 seconds there is another foreclosure filing. That is 6,600 foreclosures per day. This is the worst foreclosure record since the 1890s. Six million families will face foreclosures over the next three years.

The CBO says the federal budget deficit tripled to a record $1.4 trillion for fiscal 2009. Last year's deficit was $459 billion.

The IMF, a creation of American elitists, which has done nothing but subject small countries to strangling programs that keep them in perpetual debt, is raising $500 billion by selling 403 tons of gold, supposedly to help emerging nations through the credit crisis. They will in fact spend those funds to bailout G-20 rich major banks. You might call it an extra bolstering mechanism. Like TARP these will be loans that in all probability will never be repaid. None of these funds will ever reach poor countries and poor people. The funds will allow these G-20 banks to further speculate in world markets, while the poor suffer. This is all part of the international banking Ponzi scheme. Again, the funding comes from taxpayers who in reality own the gold the IMF is selling. The evil machinations of these criminals never ends.

It's the biggest mystery in global finance right now: Who conducted a sneak attack on the U.S. dollar this week?

It began with a thinly sourced but highly explosive report Monday in a British newspaper: Arab oil sheiks are conspiring with the Russians and Chinese to quit using the dollar to set the value of oil trades — a direct threat to the global supremacy of the greenback. So who wanted dollars diving and gold rising? In other words, who is Fisk's source, and why did he or she want to tank the dollar? So in government circles in Washington, speculation immediately centered on gold trader.

Fisk is a legendary British foreign correspondent who has been based in Beirut for more than 30 years and has won a slew of journalism awards. They also learned that he is one of only a few journalists to have interviewed Osama bin Laden (three times) and that he has expressed doubts that the United States has told the full story about the Sept. 11 attacks.

An analyst's report from the Royal Bank of Scotland concluded, "Fisk is a veteran of the Middle East,. he is also increasingly associated with more radical theories thus weakening the credibility of the story.

The Fed contracted its balance sheet $2.942B due to a decline of $6.925B in currency swaps. The past few weeks, after the FOMC Communiqué, the Fed has reduced its balance sheet slightly. With the dollar in the toilet, something more substantive is necessary.

Democratic Congressional leaders are working with the White House to extend an expiring $8,000 tax credit for first-time home buyers, and aides said Wednesday that they were considering making it available to current homeowners who purchase a new residence.

The U.S. dollar continued to tumble against most Asian currencies Thursday, prompting a wave of foreign-exchange intervention by central banks in South Korea, Taiwan, the Philippines, and Thailand seeking to limit damage to their export industries.

The minor intervention had only a transitory effect. Like most half-hearted interventions, once the minor effect diminished, speculators went hard against it.

A concerted, major action is needed to produce a more lasting effect on the dollar. And major policy changes are required to completely save the buck.

The Federal Reserve has begun conducting small-scale tests of trades called "reverse repos" on Wall Street that would enable it to drain cash from the financial system once it decides to roll back its current extraordinarily loose monetary policy.

In a reverse repo – shorthand for a "reverse repurchase agreement" – the Fed sells assets such as Treasury securities to dealers for cash with an agreement to buy them back at a slightly higher price at a later date. In the process, bank reserves are drained from the financial system. However, dealers say in recent days, the Fed has conducted reverse repo tests in the so-called tri-party repurchase market, in which custodian banks such as Bank of New York and JP Morgan act as intermediaries.

The tests are not a sign that the Fed is about to drain reserves on a large scale. That would require a decision by the Federal Open Market Committee to scale back its generous liquidity support for the financial system. Such a move is not expected before 2010 at the earliest.

For bingers who claim that they're not ready to leave the party yet, central bankers are jiving hard to convince us that they know where the exits are. My bet is that they'll bail sooner than financial markets think.

The Fed must have learned its lesson about keeping borrowing costs too low for too long. Mustn't it? Australia has already skipped the revels. This week, it became the first among the Group of 20 nations to drive up borrowing costs since the collapse of Lehman Brothers Holdings Inc.

A swifter than predicted return to a more normal monetary-policy environment would be one way of proving that the lessons of the bubble years have been learned.

In the year since the government stepped in to rescue the collapsing mortgage giants Fannie Mae and Freddie Mac, the agencies have taken $96 billion from the Treasury, and may still need more.

That was the somber assessment delivered Thursday by the federal agency charged with overseeing the government-controlled Fannie and Freddie, which have lost a combined $165 billion since July 2007 as their bets on the housing market went bad.

The short-term outlook for the enterprises remains troubled," said Edward J. DeMarco, acting director of the Federal Housing Finance Agency, in testimony before the Senate Banking Committee.

U.S. retailers in September collectively posted their first growth in same-store sales since August 2008, with several hopeful signs reported by an industry mired in an extended slump.

The September showing prompted a number of retailers, including Target Corp. (TGT), J.C. Penney Co. (JCP) and Kohl's Corp. (KSS) to issue optimistic earnings outlooks. Meanwhile, Victoria's Secret parent Limited Inc. (LTD) reported its first same-store-sales increase since August 2007.

The closely watched same-store-sales index calculated by Thomson Reuters rose 0.6% for September, when a 1.1% decline was expected for the 30 retailers it tracks. The increase allowed the industry to avoid what would have been the first time this decade that the same month had two straight years of same-store sales decline. http://online.wsj.com/article/BT-CO-20091008-711699.html

Many feel that they are risking their lives — and that colleagues have died — for a futile mission and an Afghan population that does nothing to help them.

The base is not, it has to be said, obviously downcast, and many troops do not share the chaplains' assessment. The soldiers are, by nature and training, upbeat, driven by a strong sense of duty, and they do their jobs as best they can.

JPMorgan Chase & Co., Bear Stearns, Morgan Stanley and Credit Suisse Group AG agreed to pay $100 million to settle a lawsuit over their roles in the bankruptcy of a Philadelphia mortgage lender, an attorney said.

The trustee for defunct American Business Financial Services Inc. sued the banks in state court in Philadelphia claiming they helped keep the company going by enabling it to overstate the value of its assets. The banks agreed to the settlement on Oct. 7, Steven Coren, an attorney for trustee George Miller, said yesterday in a phone interview.

JPMorgan and Bear Stearns agreed to pay $55 million, Coren said. JPMorgan acquired Bear Stearns in June 2008. Credit Suisse and Morgan Stanley will pay $37.5 million and $7.5 million, respectively, Coren said. The companies denied any wrongdoing.

Duncan King, a spokesman for Credit Suisse, declined to comment on the settlement, as did JPMorgan spokesman Joseph Evangelisti and a Morgan Stanley spokeswoman, Jennifer Sala.

American Business, which offered loans to people with low credit scores, filed for court protection in 2005, listing debt of as much as $1.1 billion, in U.S. Bankruptcy Court in Wilmington, Delaware.

Miller was seeking at least $750 million from the banks, their auditors and former officers and directors on behalf of more than 20,000 people, many of them elderly, who lost their life savings when the company became insolvent.

President Barack Obama is considering a mix of spending programs and tax cuts to respond to widening job losses that would amount to an additional economic stimulus without carrying that label. The discussion of the initiatives, including a boost in transportation spending and an extension of an expiring tax credit for first-time homebuyers, comes as the White House is balancing rising concern about unemployment and a budget deficit the Congressional Budget Office estimates will total $1.6 trillion for 2009, and $1.4 trillion in 2010.

Vacancies at U.S. shopping centers rose in the third quarter to a 17-year high as unemployment climbed, consumers cut spending and stores closed Reis Inc. said. Vacancies at neighborhood and community shopping centers increased to 10.3%, the highest level since 1992, from 8.4% a year earlier.

Rent for office space is falling at the fastest pace in more than a decade as vacancies create a glut and landlords slash prices to attract tenants. Nationwide, effective office rents fell 8.5% in the third quarter compared with the same period a year ago according to Reis Inc.

U.S. apartment vacancies rose to 7.8% in the third quarter, the highest since 1986 Reis Inc. said. Actual rents paid by tenants, known as effective rents, declined 2.7% from a year earlier. Asking rents, or what landlords sought, fell 1.8% from a year earlier.

In the wake of the mortgage meltdown, the Federal Housing Administration has emerged as a pillar of the still wobbly housing market — providing vital insurance that enables borrowers to qualify for loans with as little as 3.5% down. This year alone the agency has backed nearly 2 million mortgages worth at least $328 billion. It insured 21.5% of all new mortgages last year, up from fewer than 6% in 2007. Some lawmakers, however, worry that the FHA may be doing its job too well — enabling too many people with shaky finances to get loans, and in effect setting up a potential repeat of the housing bubble fueled in part by no-questions-asked subprime loans. Recent numbers appear to underscore those concerns. The percentage of FHA loans that are delinquent or in foreclosure climbed to nearly 8% at the end of June, from about 5.5% in early 2006. Congress boosted the agency’s business last year by more than doubling the limit on the maximum FHA-backed loan, to $729,750, in Los Angeles and other high-cost markets. Through Aug. 31 of this year, the FHA had insured nearly 1.8 million mortgages worth at least $328 billion, or nearly half the total of $675 billion worth of mortgages on its books.

Governor David Paterson ordered New York state agencies to cut non-personnel spending by $500 million in the current fiscal year, or about 11%, a day after saying income-tax revenue has declined 36%. The largest reductions would come in the State University of New York, $90 million; prison system, $69.3 million, and City University of New York, $53 million.

Global hedge-fund assets declined 8.5% to $1.67 trillion in the first half of 2009 according to HedgeFund Intelligence. The drop extends last year's decline, when global hedge funds posted record losses. Assets declined about 38% from a peak of $2.7 trillion reached during the first half of 2008.

This past week the Dow rose 4%, the S&P 4.5%, Russell 2000, 6% and the Nasdaq 100 rose 3.9%. Cyclicals rose 7.5%; transports 5%; banks 5.8%; broker/dealers 6.6%; consumers 2.6% and utilities 2.2%. High tech rose 5.1%; semis 6.5%; Internets 4.6% and biotechs 2.8%. Gold bullion rose $46.00 and the HUI unhedged gold index rose 13%.

Two-year T-bill yields were 9 bps higher to 0.8% and the 10-year notes rose 16 bps to 3.38%. The 10-year German bunds rose 8 bps to 3.20%.

Freddie Mac 30-year fixed rate mortgages fell 7 bps to 4.87%. The 15's were off 3 bps to 4.33% and the one-year ARMs rose 4 bps to 4.53%. The 3-year fixed jumbos fell 5 bps to 6.06%.

Fed credit fell $652 million, falling 42% yoy. Fed foreign holdings of Treasury and Agency debt increased $5.6 billion to a record $2.860 trillion. Custody holdings for foreign central banks have expanded at a 17.8% rate ytd and 15.1% yoy.

M2 narrow money supply jumped $47.5 billion to $8.357 trillion.

Total money market fund assets increased $16.7 billion to $3.446 trillion.

Total commercial paper jumped $67.7 billion. CP has declined $382 billion ytd and $251 billion yoy. Asset backed CP rose $9.1 billion to $531 billion, a yoy fall of $176 billion or 25%.

The dollar index, the USDX, fell 0.7% to 76.45. Gold jumped 3.6% to close at $1,049, up 18.9% ytd.

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