



What's New?

Feddern Financial Consulting Group Newsletter

October 8, 2009

KEYS TO THE BEGINNING OF A RECOVERY:

- 1. The Real Estate market must stabilize. If not reversing, at least not continuing to fall. *NEW HOUSING STARTS UP this Spring and Summer because of seasonal factors but inventory still huge! The Nationwide COMMERCIAL COLLAPSE IS JUST BEGINNING!***
- 2. Unemployment must stabilize. If not reversing, at least not continuing to rise. Last report was lower! *IT'S ACTUALLY NOT WORSE as a "%," Back to 9.4% - BUT IT CONTINUES TO MOUNT @ OVER 300,000+ weekly.***
- 3. Corporate Earnings (profits) must stabilize. If not reversing, at least not continuing to fall. *A FEW POSITIVE SIGNS but mainly in TECHNOLOGY.***
- 4. Banks must begin to make loans again (especially to small businesses and potential home owners...albeit under ancient premises of buyers being qualified and of all things, a down-payment! *Lots of "hoopla" from the mega banks, but it appears that there's no real progress. They're "hoarding" any cash they can get their hands on. And now here comes the Regional problems compounded by PRIME loan and Alt-A resets!***
- 5. The DOLLAR has to decline. *Maybe it's started!***
- 6. Auto sales must stabilize at some NEW level. *Maybe started!***
- 7. The consumer must get "back in the game of consumin'" *NO WAY!*
*ANALYSIS OF THE ABOVE: No Real Hope YET! -10/8/2009***

China's Status

China is "movin' on up..." Sixty years ago this past week, China began its communist experiment and slow rise as a world power. This anniversary was not left unnoted by the Red Nation, which staged a massive celebration yesterday that a Washington Post correspondent described as a "musical variety show... Mao meets Elton John."

There was a parade in Tiananmen Square, where the proud country dragged out 108 city-crushing missiles and nearly 190,000 soldiers, dancers, celebrities and performers -- including, quite naturally, a unit of... retro vixen militants?



Yeah... we don't get it.

Curiously, there were no musical interpretations of the horrors that begat the People's Republic (or the Great Leap Forward and Cultural Revolution that soon followed)... maybe they're saving those for the centennial.

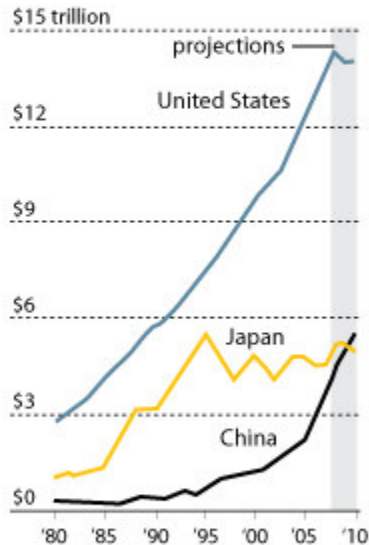
And this new era of communism comes with a shiny new economic forecast: China could be the world's second biggest economy as soon as 2010 and the world's largest in as little as 20 years. This altered trajectory is courtesy of the IMF, which revised its World Economic Outlook yesterday. In short, emerging nations with strong export economies (like China) will drive global growth in the next two years, while more established economies like the U.S., eurozone and Japan will lag behind.

Specifically, the IMF expects China to continue growing around 8-9% a year as Japan -- the world's second largest economy -- will be lucky to grow much faster than 1.7%. Plug that in some fancy charting software and you get this:

Rise of the Reds

China is now set to pass Japan next year as the world's second largest economy.

ANNUAL G.D.P.



Source: IMF, NY Times

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With Japan a foregone conclusion, China now sets its sights on I.O.U.S.A. The IMF has no projections that far away, but researchers at the Nomura Institute of Capital Markets Research proclaimed this week that China will pass the U.S. sometime between 2026-2039, depending on yuan appreciation.

We're skeptics, if only because it's such a widely held belief nowadays that China will inevitably rise to the top. Before they get there, they'll have to rewrite their entire economic credo, the current staple of which is American overconsumption. And it was only 20 years ago when every broker was convinced Japan would soon be the world's economic powerhouse. Eight of the world's 10 biggest companies were Japanese in 1988. Today, the biggest (Toyota) is 22nd, and only five others are in the top 100.

But there is one thing that might "make it different this time": people! 1.3 billion Chinese people, to be specific. If China can ever monetize its massive population, they'll leave us all in the dust:

Power to the People

China's per-capita GDP is vastly lower than it's only economic superiors, Japan and the U.S.

ANNUAL PER CAPITA G.D.P.



Source: IMF, NY Times

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We continue to receive more and more inquiries about our Down-side Risk Management disciplines along with our group of recommended money managers. We appreciate your "referrals." It's the main way we continue to build our business.

Call us anytime: 502-442-0363 502.442-0363 Direct 800/258-1502 Toll Free 502/442-0365 Fax 502/552-2049 Cell

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