



What's New?

January 19, 2010

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 past 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 WORSE** as a "%," **Back to near 10% - BUT IT CONTINUES TO MOUNT @ OVER 250,000+ weekly.***
3. *Corporate Earnings (profits) must stabilize. If not reversing, at least not continuing to fall. **SOME 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. **It's started for REAL!***
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! -11/19/2009

MORE and MORE Taxes...Anyway Possible!

You've just got to force yourself to read this entire piece!

Witness the Administration's latest disincentive, the "financial crisis responsibility fee." Good grief! The new tax will force about 50 large financial institutions to pay the federal government a total of about \$90 billion over 10 years. About 70% of the firms would be U.S. companies, with the rest being U.S. subsidiaries of foreign firms. The 10 largest institutions would pay about 60% of the tax.

How much of the financial crisis responsibility fee will be paid by the Fed? Ninety-nine percent of it, if there were any logic to it, which of course, there is not...

The taxed banks also have to pay for the bailout money that went to General Motors and Chrysler. Can you imagine this: GM and Chrysler will be exempt from the tax, because the Administration says they went under in part because of a financial crisis the banks caused.

Did you get that? The big carmakers didn't go under because Toyota and Honda beat the heck out of them fair and square in the market for new cars. GM and Chrysler didn't go under because of the make-work rules and enormous pension burdens placed on them by the unions. They didn't go under because they refused to give car buyers what they wanted. No... GM and Chrysler went under "because of the banks." What is this? That's why no one buys American cars anymore. Oh yeah sure! Can you imagine that they want us to think car buyers get up in the morning and say, "Since banks are doing what they're doing, I'm going to buy a Toyota. That'll make GM and Chrysler go under." Get REAL!

This is a hallmark of academia and government: Ideas that don't work can live on and on indefinitely in their neighborhoods. When the free market kills businesses like GM and Chrysler, the academics and government make up an excuse like, "it's the banks' fault," and tax and inflate and regulate 'til they drop (they can't drop soon enough in our opinion)... they continue to do whatever it takes to keep the lie going.

We can't believe no one is talking about trying to impeach these guys. Our take on these little men is that they are boys set loose in a man's world, like a child driving a tank down Main Street, having fun and totally oblivious to the awful destruction he leaves in his wake.

Now, How About This One!

"The U.S. Treasury and Labor Departments will ask for public comment as soon as next week on ways to promote the conversion of 401(k) savings and Individual Retirement Accounts into annuities or other steady payment streams, according to Assistant Labor Secretary Phyllis C. Borzi and Deputy Assistant Treasury Secretary Mark Iwry, who are spearheading the effort.

"Annuities generally guarantee income until the retiree's death, and often that of a surviving spouse as well.

They are designed to protect against the risk that retirees outlive their savings, a danger made clear by market losses suffered by older Americans over the last year, David Certner, legislative counsel for AARP, said in an interview."

Now ostensibly, the plan to offer an annuity option for 401(k) plans will seem sensible. But don't be fooled. This is the beginning of a money grab by the

Feds for the \$3.6 trillion in assets held by U.S. 401(k)s. The Feds need that money to finance the deficit. This is where some of the money to fund the deficits may come from, answering a question we asked earlier in the week. What the government can't take, they'll have to print.

But right now, the Feds can't just take that 401(k) money. Well, they could. But it would crash stocks and infuriate the public, leading to some civic violence. What's more, it would feel like theft as well as looking (and being) like it. So they have to dress the plan up as something that's better for savers.

They're trotting out the idea that a defined benefit pension plan is better than defined contribution plan (which is true, if it's funded well). A defined benefit plan guarantees you income in your old age years. A defined contribution plan (what we have now) just guarantees money flows into the stock market (which is good for the financial services industry and our "buddies" on Wall Street, but don't guarantee you'll have any money when you really need it later in life).

The U.S. Treasury Department and the Obama administration are exploring ways to encourage U.S. savers to buy more annuities or investment vehicles composed of "safe" assets. What constitutes safe? Why 30-year U.S. government bonds of course! Thus, the government can encourage people to buy what the Chinese and the Japanese and most other U.S. creditors don't want to touch any longer.

The trouble with an annuity or 30-year bond is that you get crushed by inflation. And current policies of our government bozos are guaranteeing that it will happen. In principle, it's not different that a zero coupon bond. You get your nominal investment back upon redemption. But you are not compensated for inflation and your money is tied up, instead of working harder for you elsewhere...and in this example for THIRTY YEARS!!!

It's obvious what the Fed's get out of this: a ready source of new funds to buy their bonds. This kicks the can of unsustainable deficit spending down the road a few months, or perhaps a few years. But it doesn't change the fundamentally destructive path of U.S. fiscal policy.

What it does tell you is that mischief is afoot among the wealth stealers of the modern nation state? Faced with a failed funding model, they are beginning their cash grab. This takes the form of higher taxes. But the big bounty is the retirement savings of millions of Americans.

This solves the problem of having to sell the debt to foreign investors. And it solves the problem of having to make tough budget deficits. Just issue more debt and make the super funds buy it with your money.

If you think that's foolishness or just won't happen, you're really being naïve. It won't happen overnight. But it will happen gradually. It's evolving towards that already. If they can't get it through tax or royalty revenues, the tax posse will get

it by any means necessary, which means your super assets are an obvious target.

Alarmist? Irresponsible? You decide. But we can see the evolution of this as clear as day, even if saying it in public is bad form or taboo. But we firmly believe that now is the time to say the taboo things.

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