

Thank God It's Friday!

09.07.2007



I have this rubber chicken I bring to GIANTS baseball games. It's all packed for tonight's game against the Dodgers. For you tennis fans out there, it's a PROTEST against lame opposing pitchers who intentionally WALK our home-run King, Barry Bonds. When our cries of "Let him hit" or "Pitch to Barry" are ignored, we give swing our chickens in the air... and cluck... and do the chicken dance.

Today, I had to use my chicken at work to make a point about market pundits who are "chicken" to face the fact that the US may slide into a recession...but that's not a BAD thing. It's natural and reactive. Since the last US recession lasted only 6 months, I say: Bring it on and let's get it over with. Let's get back to the work of growing. The Fed will do its best to make any potential recession less painful for the average American by lowering interest rates on September 18th. This will be its first cut in the past 26 months. The markets have already priced-in the Fed cut. So, why all the fear and trepidation? The answer is simple: The market is over-reacting to three fears:

- FEAR of unemployment
- FEAR of terrorism
- FEAR of the unknown

Today, the Department of Labor gave a serious jolt to markets by reporting that **for the first time in four years, the US economy failed to generate more jobs than it lost.** The loss of jobs in the mortgage and housing sectors surprised no one, but the latest figures make clear for the first time that what happens in housing is not going to stay in housing: losses from falling home prices, slowing real estate, and drying-up mortgage markets are affecting other areas of the economy. Manufacturing firms and government cut the most jobs. On a trend basis, the official US unemployment rate is not bad at 4.6%. This figure has been dropping since 2003 when it hit 6%, still a number that most countries—even developed nations like France and Germany—enjoy only in their fondest dreams.

Terrorism is front-page news again today as the long-awaited Osama Bin Laden tape was released.

INDEX	09.07.2007	12.31.2006	%Change
DOW JONES	13,133	12,463	+5%
S&P 500	1,453	1,418	+2.5%
NASDAQ	2,565	2,415	+6.2%
Bond YIELD	4.37%	4.71%	-7.2%*

The fear of the unknown creates the current crisis in confidence. Investors are worried that the housing slide could take the US economy with it. Investors are concerned that our slowing economy could drive down the rest of the globe with it.

Pauses in economic growth are natural, and often followed by explosive stock market growth. We're not chicken.

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