



Thank God It's Friday!

December 19, 2008



Santa came early to Detroit today bringing bags and bags of goodies on his sleigh.

He brought \$17 billion which can buy some pretty neat toys for GM and CHRYSLER. Ford got coal in their stocking.

The White House stepped in to announce this bailout package after the House did its Scrooge imitation rejecting the auto bailout bill last week. It was clearly stated by President Bush that the state of our economy was a factor in the decision. This move was timely and necessary for economy. The first \$13.4 billion of the package is coming from the 1st half of the \$700 billion TARP plan, which was originally intended to buy distressed assets from financial institutions. This lifeline is basically enough money to enable a hand-off to the Obama administration.

Inaction by the government would have exacerbated unemployment and put the brakes on the economy which is already operating on fumes.

This package comes with strings attached. GM and Chrysler need to show that they are financially viable by March 31. The next three months will be an important test for GM and Chrysler to show what they can do, whether it is restructuring its business, reducing debt, or working with unions to lower labor costs, which are significantly higher than labor costs at non-union auto plants in the USA, notably Toyota.

We were encouraged this week when Chrysler announced it was closing its North American manufacturing plants for at least a month to cut vehicle production. GM and Ford have also taken similar actions. Oversupply, similar to the housing market, is plaguing the U.S. auto industry.

Today's announcement helps bring some sense of stability to the markets, although more government actions will be needed next year. In fact, the market has been roughly flat for the last two weeks. Any sign of stability and formation of a base for this market is necessary for a recovery or rally.

An interesting study caught our attention this week. There have been 14,296 trading days since January 1, 1950. On 33 of those days, the Market fell 4% or more. On 36 of those days, the Market rallied 4% or more. So there have been 69 moves out of 14,296, (less than 1% of the time), we've experienced a 4% move in either direction. 29 of those 69 occurred since September 1st this year. No wonder we feel so tired.

On that note, let us wish you a happy final shopping weekend. Please don't go berserk..and please don't wear-out your plastic credit cards. but DO feel OK to enjoy the holidays knowing there are certain glimmers of improvement heading your way: Americans are saving again; Mortgage rates are heading to 4.5%; Gas at the pump has fallen 59% since July and now costs south of \$2 / gallon.

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