

Thank God It's Friday!

August 7, 2009



Tomorrow, on 08/08/09, our Mike Harris is tying the knot with his lovely bride Haley. We wish them health and success in their future together and welcome Haley into the family with open arms.

All week long, the Market treaded lightly in anticipation of today's JOBS REPORT. Weakness on Wednesday and Thursday had investors set-up for a disappointment. Boy was that wrong!

The 247,000 job losses in July beat all expectations. The consensus expected -330,000. For some perspective, there were over 700,000 jobs lost in January. Equally important, the unemployment rate actually contracted in July, from 9.5% now 9.4%. This is the first decline in unemployment since April of 2008. 15 months. We had been expecting to see unemployment eclipse 10% at some point this year. This new report has us re-thinking that in a Pollyanna frame of mind.

Before we get too excited though, let's be clear: There will be considerable time between companies being net hirers to net hirers. Besides, jobs were indeed lost last month: It just happened to be fewer than expected and the rate of decline has significantly slowed. We expect to see Corporate America remain lean until economic recovery morphs into economic expansion. But that's OK. It's all part of the process. We remain on the heels of the greatest recession since the Great Depression, so the less-bad news is becoming increasingly good and gaining traction. Clearly, we are light-years better off now versus what February and March presented.

We need to see new jobs created by the corporate sector, not just the government, in order to launch a sustainable recovery. We need to see companies actually growing revenues rather than simply cutting costs to survive. We need to observe consumers giving themselves permission to resume normal spending habits. And once and for all, we need to see a bottom in housing, with signs of growth. There are substantial signs that these key components are in the works and the Market is telling us that recovery is at hand. As you know, the Stock Market looks out 6-12 months ahead of actual economic recovery. Market rallies have a way of brightening attitudes; especially a 50% surge in 5 months time.

Right now the Market seems overbought, but this can continue for a while. It's quite remarkable that every attempt to sell-off has been counteracted aggressively by buyers. Momentum remains strong, and the old adage of "Don't fight the tape" still rules. The Bulls remain in charge. How much things have changed in these past 5 months. We looked back to what we wrote to you on March 6, 2009, which happens to be when the market hit its lows:

3/6/09: "This Market is so oversold, and many high quality companies are ridiculously cheap. But things can stay cheap for a while if there is no trust. The prevailing perception on Main Street is the bailout is rewarding those that caused the mess to begin with. Why would anybody play a game with known cheaters? They wouldn't, especially when their life savings are involved. When investor confidence is restored, this market should go higher, and it could be a rally of epic proportions. Stand by!" (<http://www.bedellinvest.com/tgif/2009/TGIF-03-06-09.pdf>)

By: Mike Frazier

PS: If you watch MEET THE PRESS this Sunday, you'll hear Jude's college classmate make some news. He is Gen. JIMMY JONES (Ret.) who now serves as the National Security Adviser.