



>: Join Us on YouTube!

Monday, October 1, 2007 / Ben Schott

There was a day not so long ago when Tycoon was little more than an idea and a couple of guys in a small, dingy one-room office.

But there was one thing about that office that I'll never forget.

Those of you who've been part of the Tycoon family for a while might remember us talking about it: on one wall hung a map of the world, and every time a new customer joined us, a new pushpin would go up on the map where they lived.

It was a great way for us to get through the long days of trying to take a young business to the next level. Looking up at that map reminded us who we were really working for.

Well, today we've grown as a company (more space, more employees), and as a source of investing advice (more of you reading this right now).

They don't make wall maps big enough? and our pushpin budget is too small? for us to keep up that tradition.

The days of The Map are over. But in its place we've made a point to create even better ways to remind us of who we work for.

As Wayne pointed out in [his article last week](#), we read all the comments that our readers leave for us, and we're very excited by how many of you are submitting your own articles on the site.

To be able to read your thoughts and share in your experiences as investors ... we loved The Map ... but this is way better than pushpins!

Two BIG Announcements

1. As the title of my article might have given away (I'm really no good at surprises), we've started a *Tycoon Report* Group on YouTube.com.

This is a place where ...

We can share our thoughts with you.

You can share your thoughts with us.

You can comment on our articles.

You can share your own investing tips and ideas.

We can have debates.

We can all share our investing successes and failures.

... all in video form.

Sound like fun? All you need to start posting to the *Tycoon Report* group is a webcam and an opinion.

You can get there with this link (go ahead and save it to your Favorites, because we'll be adding to it and throwing out video challenges to you regularly):

<http://youtube.com/group/tycoonreport>

(Just be sure to take a moment and join the group once you get there. Once you do, you'll be able to start posting your own videos to the group and messaging with us and your fellow readers.)

2. And the second big announcement is ...

You'll have to [click here and check out our first video post](#) to find out.

A handwritten signature in black ink that reads 'Ben Schott'.

Ben Schott

Chief Investment Officer

>

Monday, October 1

10:00 - ISM Index (for September): Consensus 52.5

Big Picture: The index has fallen from the 14-month high of June, as the level remains consistent with the improvement in actual demand and production. June new orders showed the strongest level in 16 months, as production rose to the highest since July 2004 -- those levels have returned to the mid 50s. Inventory draw

down left weak early year levels as the forward view depends on business investment given the weaker growth outlook. Business investment has some supportive fundamentals -- large profits, cash loaded balance sheets and a high capacity utilization rate urging continued labor saving investment. The lift in manufacturing activity comes with stronger capital investment, as the effects from autos, housing and bloated inventories have lightened, with economic growth expectations providing the forward view.

Implications: The ISM report is a national survey of purchasing managers which covers such indicators as new orders, production, employment, inventories, delivery times, prices, export orders, and import orders. Diffusion indexes are produced for each of these categories, with a reading over 50% indicating expansion relative to the prior month, and a sub-50% reading indicating contraction. The total index is calculated based on a weighted average of the following five sub-indexes, with weights in parentheses: new orders (30%), production (25%), employment (20%), deliveries (15%), and inventories (10%). The ISM is one of the first comprehensive economic releases of the month, typically preceding the employment report. Though it covers only the manufacturing sector, it can often provide accurate hints regarding the tone of subsequent releases. During periods of inflation concerns, the prices paid and vendor deliveries indexes often determine the bond market's reaction to the report.

17:00 - Auto Sales (for September): Consensus 5.1M, Truck Sales (for September): Consensus 7.2M

Big picture: Buying incentives have provided a bouncy path for vehicle sales over the last few years and drive the monthly pace of domestic sales. High gasoline prices provide the advantage to fuel efficient imports and domestic autos, but SUV sales have not shown a strong decline, given the larger discounts awarded and domestic preferences. Reduced discounting softened the pace of 2006 sales to a 12.8 mln average pace from 13.4 mln in 2005. Year to date 2007, the average is a still weaker 12.3 mln given the 20-month lows reached in both June and July. With a 20% weight in retail sales, autos provide the monthly swing to consumer spending.

Implications: Auto and Truck Sales measure the monthly sales of all domestically produced vehicles. They are considered an important indicator of consumer demand, accounting for roughly 25% of total retail sales. Demand for big ticket items such as autos and trucks tends to be interest rate sensitive, making the motor vehicle sector a leading indicator of business cycles.

Wednesday, October 3

10:00 - ISM Services (for September): Consensus 55.0

Big Picture: Despite rumors of household spending getting pinched by higher gas prices and eroding home values, the wealth effect appears to be hanging in there, fueling spending & consumption. New orders popped back up in August after July's dip. Exports have lost their edge over imports, despite the weak U.S. dollar and a strong global economy.

Implications: The non-manufacturing ISM report is a national survey of purchasing managers which covers new orders, employment, inventories, supplier delivery times, prices, backlog orders, export orders, and

import orders. Diffusion indexes are produced for each of these categories, with a reading over 50% indicating expansion relative to the prior month, and a sub-50% reading indicating contraction. The index should be far more indicative of the broader economy given its inclusion of service- producing as well as good-producing sectors outside of manufacturing. However, the short history of the index dates to only July 1997 and doesn't provide the insight of a longer period inclusive of varied economic climates.

Thursday, October 4

8:30 - Initial Claims (for 9/29): Consensus NA

Big Picture: Weekly initial claims can be volatile, as the trends reflect some easing in the tight labor market. Layoffs (seen in initial claims) remain subdued given the lean supply of available workers, while hiring (seen in continued claims) has cooled, as reflected in the 20-month high in the early September 4-week average and the dip in August payroll growth. Claims provide a nearly real time read on layoffs and the labor market, as low 4.6% unemployment reflects the broader combined read of layoffs and hiring.

Implications: Initial jobless claims measure the number of filings for state jobless benefits. This report provides a timely, but often misleading, indicator of the direction of the economy, with increases (decreases) in claims potential signaling slowing (accelerating) job growth. On a week-to-week basis, claims are quite volatile, and many analysts therefore track a four week moving average to get a better sense of the underlying trend. It typically takes a sustained move of at least 30K in claims to signal a meaningful change in job growth.

10:00 - Factory Orders (for August): Consensus -2.5%

Big Picture: Volatile factory orders finally topped the September 2006 record level in July. The struggling auto and housing sectors added to the softening in business capital investment, as orders and production are back on the rise. Some of the fall-off was due to the drawing down of unwanted inventories. The underlying fundamentals of flush corporate balance sheets and high capacity use helps support capital investment and factory production, but the growing risk is that business will slow investment as the growth outlook softens.

Implications: Factory orders consist of the earlier announced durable goods report plus non-durable goods orders. The report is very predictable, with nondurables the only new component. Nondurables consist of such items as food and tobacco products, which grow at a fairly consistent monthly rate, so that market forecasts for this report are far more accurate than for the durable orders report. In addition to seeing nondurables for the first time, the market also watches for revisions to the durable orders data, which can be significant. At present, durable goods orders add up to about 54% of total orders.

Friday, October 5

8:30 - Nonfarm Payrolls (for September): Consensus 100K, Unemployment Rate (for September): Consensus 4.7%, Hourly Earnings (for September): Consensus 0.3%, Average Workweek (for September): Consensus 33.8

Big Picture: August showed the first decline in payrolls since August 2003, as unemployment is ever so slowly rising from the March low of 4.4%. The relatively low labor participation rate continues to leave lean worker availability despite the weak 44K average growth in payrolls over the last three months. Employment trends lag the economy as final demand -- in excess of labor productivity -- feeds in to labor demand. Earnings growth is holding steady near a 4% yoy rate -- off the 4.3% yoy high of December. The decline in payrolls signals increased disruption in economic growth.

Implications: The employment report is actually two separate reports which are the results of two separate surveys. The household survey is a survey of roughly 60,000 households. This survey produces the unemployment rate. The establishment survey is a survey of 375,000 businesses. This survey produces the nonfarm payrolls, average workweek, and average hourly earnings figures, to name a few. Both surveys cover the payroll period which includes the 12th of each month.

15:00 - Consumer Credit (for August): Consensus \$9.0B

Big Picture: Consumer credit includes household non-mortgage loans. Tax cuts and cash out mortgage refinancing provided consumer funding in past years as 7% yoy income growth and weakening equity and home price gains now provide the means outside of credit. Credit cards (revolving credit) make up 37% of total consumer credit, which stands at \$2.5 trillion. Nonrevolving credit helps finance auto purchases, tuition, vacations and other forms of consumer borrowing. Annual growth of 4% has shown acceleration from the 3.4% yoy decade-low of April 2006.

Implications: This monthly measure of consumer debt is volatile and subject to massive revisions. It is also released well after every other consumer spending indicator, including weekly chain store sales, auto sales, consumer confidence, retail sales, and personal consumption. For these reasons, the market almost never reacts to the consumer credit report.

Source: www.Briefing.com