

>: Your Chance to Be Famous!!!

Monday, April 30, 2007 / Ben Schott

How would you like to share your thoughts with 100,000 fellow investors? How would you like a free *Trend Rider* membership?

If I've got your attention, keep reading ...

Think You Can Do What We Do?

Week in and week out, our writers try to bring you something different and better than the usual investment newsletter drek.

Our experts come with a variety of styles: Teeka is short and to the point ... Chris goes for a new "writer's cramp world record" every week.

Our experts bring to the table their own unique skill sets and areas of expertise: Dylan is the master of asset valuation ... Wayne combines real-life technology industry experience with a bursting Wall Street rolodex ... Jason expertly melds his passions for healthcare and economics.

Despite their different personalities, passions, and specialties, everyone who writes for The Tycoon Report writes for the same reason:

To give you a level of analysis and research that you can't get from your broker, and won't get from the financial media.

But as our readership has grown, all of us are starting to realize how much our readers have to give as well. Just going through the "Rate this

Article" responses and reading the emails that come in to Editor@tycoonresearch.com

, there's a striking level of knowledge and a variety of backgrounds among our readers.

So we've been tossing around this idea for a while now, and today we're going to make it official:

We'd like to invite YOU to write an article for The Tycoon Report.

Write about any finance or investing topic that you're passionate about. Educate your fellow readers about a trading strategy that's worked for you.

Tell us your best (or worst) investing experience. Give us your take on a major financial trend or phenomenon. It's all fair game.

I don't want to dictate a topic ... and I'm actually pretty excited to see what you come up with.

We'll read every article that comes in, and we'll select ONE WINNING ARTICLE.

If we choose your article, we'll publish it here in *The Tycoon Report* two weeks from today, and we'll also give you a free quarterly membership to *The Trend Rider*.

Your Mission, Should You Choose to Accept It ...

I hope that you'll seriously consider submitting an article.

If you get up the courage and want to take a shot at getting published in *The Tycoon Report*, here's what you need to do:

Write an article. Please limit it to a maximum of 1,000 words.

Email your article directly to me at Editor@tycoonresearch.com. ***The final day for article submissions will be next Wednesday, May 9th.***

Please include with your submission the following information: Your name, your hometown, and a brief (one paragraph) background that includes your occupation, your investing interests, and how long you've been a reader of *The Tycoon Report*.

If we choose your article as our winning submission, it will be published in the May 14 issue of *The Tycoon Report*

. I will be in touch with you directly if your article is selected.

Remember: If your article is chosen, we'll give you a free quarterly membership to Chris Rowe's *The Trend Rider* trading service. (If you're a current *Trend Rider* member, your membership will be extended for 3 months.)

Any articles received after the May 9 deadline will not be eligible for consideration.

A Proud Papa ...

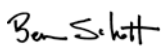
One last note.

I really just have to brag. If you read my article last week, you probably rushed right out and bought Kimberly-Clark (KMB) stock based on my 18-month old daughter's recommendation.

The stock has traded flat since then, but I feel compelled to point out that "mere hours after Hannah's article was published" Kimberly-Clark announced a 64% jump in profits over Q1 last year.

I'm telling you, we might have the next Warren-in-a Buffett on our hands. Not that I'm biased or anything.

And as for her demand-side argument: Just thought you should know, Hannah went through an inordinate number of Huggies last week.



Ben Schott

Chief Investment Officer

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Monday, April 30

8:30 - Personal Income (for March): Consensus 0.5%, Personal Spending (for March): Consensus 0.5%, Core PCE Inflation (for March): Consensus 0.1%

Big Picture: Consumer spending rebounded in Q4 as the drop in energy prices left fuller pockets. 2007 got off to a stronger start than expected. While we expect spending to run at a more moderate 3% pace, it is the key factor for economic growth given its dominant weight (70%) in GDP. Strong employment and income growth provide underlying support. The Fed's favored core PCE price index rose back to 2.4% yoy peak in February. The Fed seeks a core PCE rate below 2%, and that's the rationale for the ever so slight tightening bias.

Implications: Personal income measures income from all sources. The largest component of total income is wages and salaries, a figure which can be estimated using payrolls and earnings data from the employment report. Beyond that, there are many other categories of income, including rental income, government subsidy payments, interest income, and dividend income. Personal income is a decent indicator of future consumer demand, but it is not perfect. Recessions usually occur when consumers stop spending, which then drives down income growth. Looking solely at income growth, one may therefore miss the turning point when consumers stop spending. The income report also includes a section covering personal consumption expenditures, also known as PCE. PCE is comprised of three categories: durables, nondurables, and services. The retail sales report will provide a good read on durable and nondurable consumption, while service purchases tend to grow at a fairly steady pace, making this a relatively predictable report, and ranking it well below retail sales in terms of market importance.

9:45 - Chicago PMI (for April): Consensus 55.0

Big Picture: The index rebounded to an annual high in March after holding below 49 (in contraction) over the prior two months. A volatile regional measure reflects the slowed auto sector, the effect from the downturn in housing, and weaker capital investment. There is no explanation for the 24 point surge in March orders, especially given the trend declines seen in national factory orders. Clearly a few regional industries see better times ahead. The manufacturing sector moves in sharper cycles than the overall economy, and the regional measures move in even shorter, more volatile patterns. Business confidence fell off in late 2006 as business investment followed along. We expect the mid-expansion stall will be just that, with stronger capital investment in 2007.

Implications: Let's focus on the regional surveys which precede the release of the national index on the first business day of each month (with data for the prior month). The contestants are Philadelphia, Chicago, Milwaukee, Detroit, New York, and the most recent addition to the bunch -- the APICS survey. We looked at the correlation of all of these indexes to the national ISM and found substantial differences in their forecasting ability. The winners is ... drum roll please ... Chicago. The Chicago PMI index, which is released on the last

business day of the month (with data for the same month), has an impressive 91% correlation with the national ISM.

10:00 - Construction Spending (for March): Consensus 0.3%

Big Picture: Vastly different factors drive the 3 components of construction spending: residential, business and public spending. Business structural investment has surged over the last year and leads the components in yoy growth. Residential spending is plunging and stands 15% lower than a year ago. Public spending is motoring along at 10% yoy. Residential provides more than half the weight in the index and leaves the overall measure in decline at -2.4% yoy.

Implications: The construction spending report is broken down between residential, non-residential, and public expenditures on new construction. The monthly changes are both volatile and subject to huge revisions, so this report rarely has any market impact. Only trends extending over three months or more can be viewed as significant. The spending figures are in both nominal and real (inflation adjusted) dollars. The real figures for residential and nonresidential spending are used by economists to forecast the investment component of quarterly GDP. The annualized percent changes between the quarterly averages of these two components match up well with residential investment and commercial structure changes in the GDP accounts.

Tuesday, May 1

10:00 - ISM Index (for April): Consensus 51.0

Big Picture: Weakened business confidence slowed capital investment as the effects from the struggling auto and housing sectors left the ISM index below a neutral 50 in November and to a lower level in January. February and March were back above 50, but the actual data on orders and production are less encouraging. Some inventory draw down is leaving weak production, as underlying capital investment demand remains weak. Business investment has some supportive fundamentals -- cash loaded balance sheets and high capacity utilization rates urging continued labor saving investment -- which suggest a return to stronger manufacturing demand in 2007. We expect manufacturing activity to return to stronger growth as capital investment rebuilds and the effects from autos and housing lighten. The obvious risk is that businesses remain cautious about the outlook and continue to hold back on capital investment which makes up the heart of manufacturing production.

Implications: The ISM index is the result of a monthly survey of over 400 companies in 20 industries throughout the 50 states. The survey queries respondents on a number of monthly indicators, including orders, production, employment, inventories, delivery times, prices paid, export orders, and import orders. Respondents are asked to characterize each indicator as higher, lower, or unchanged for the month (or faster/slower in the case of delivery times). They are not asked for specific numbers -- only a thumbs up or down. The ISM's leading quality has been proven over time. Its bottom during a recession has preceded the turning point for the business cycle by an average of four months, and its worst performance in leading the turning point was on two occasions when the ISM trough occurred in the same month as the business cycle trough.

17:00 - Auto Sales (for April): Consensus 5.2M, Truck Sales 7.3M: Consensus 7.3M

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. With a 25% 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. Each auto maker reports sales individually. The reports are typically released over the course of the first three business days of the month. Using the individual reports, a total annual sales pace can be calculated after applying Commerce Department seasonal factors. It is this annual sales pace that the market refers to when discussing auto and truck sales for the month.

Wednesday, May 2

10:00 - Factory Orders (for March): Consensus 1.0%

Big Picture: The downward trend in factory orders has turned in to an economic concern. The struggling auto and housing sectors add to the softening in business capital investment as business confidence is fading with weak economic growth. Some of the weaker production is due to the drawing down of unwanted inventories, but orders provide the forward view for manufacturing activity and is in decline. The weakness is consistent with the Nov/Jan contraction in the ISM manufacturing index and the weakness in industrial production despite the underlying fundamentals of flush corporate balance sheets and high capacity use which helps support capital investment. A lift is expected once the economy picks up which may have to wait for the turn in housing. The manufacturing downturn may be more advanced by then and harder to correct.

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 sum to about 54% of total orders.

Thursday, May 3

8:30 - Initial Claims (for 4/28): Consensus NA

Big Picture: Initial claims follows a subtle upward trend as the aberrations are watched for clues on the labor market and economy. The slow upward trends in both initial and continued claims reflect some slight loosening in the labor markets. Claims provide a nearly real time read on layoffs and the labor market, as the

post-recession low 4.4% unemployment reflects the broader 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 signalling 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.

8:30 - *Productivity (preliminary, for Q1): Consensus 1.1%*

Big Picture: Cyclical productivity growth has softened with the slower pace of output growth. Meanwhile, compensation costs are volatile and rising to leave a lift in unit labor costs -- the Fed's key read on labor-based inflation pressures. The big picture is that trend productivity growth plus trend labor force growth equals potential GDP growth -- what some call the economy's longer term speed limit. Labor force growth runs near 1% annually. If structural productivity growth is 2%, potential GDP growth is 3%. Over the long term, strong productivity growth is a win/win situation resulting in weak unit labor costs and the stronger wage growth allowed through the increased output produced. Strong productivity comes with a cost to near term employment (labor) demand and benefits in lower inflationary pressures and a higher standard of living.

Implications: Nonfarm productivity and costs provide measures of the productivity of workers and the costs associated with producing a unit of output. During times of inflationary concern, the unit labor cost index in this report can move the market. If productivity is falling, unit labor costs may be rising faster than hourly earnings and other labor cost measures. Because productivity can be quite volatile from one quarter to the next, and because the previously released GDP report will give a good indication of productivity growth, this report seldom has a significant impact on the market.

10:00 - *ISM Services (for April): Consensus 53.0*

Big Picture:

- The services sector is finally showing signs of fatigue. Job & income growth remain key to household consumption of service related items. Despite strong gains in both those areas, the consumer is getting hit with some strong headwinds from higher gas prices to constant reminders of home price depreciation, actual or otherwise. These concerns will probably be resolved through less confidence & weaker retail sales, which undoubtedly account for some softening of the index. In the meantime, however, 3 months of declines suggest the index is due for a modest rebound.
- New orders are hanging tough in the mid-50s with risks to the downside.
- Inventories are rebounding.
- Growth in prices paid has popped back up again providing some juice for inflation hawks.
- Employment (seasonally adjusted) is holding just above 50, but contraction is not expected as the labor market remains tight.

- Index is volatile and independent of its components. Can cause confusion in interpretation.

Implications

: 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. The seasonal adjustment of the index didn't begin until January 2001 with only 3 of the 9 components seasonally adjusted as of April 2001. The lack of historical data and lack of a tight correlation to the non-manufacturing economy leaves the relatively poor "B-" rating compared to the "A-" rating of the well-respected manufacturing ISM index.

Friday, May 4

8:30 - Nonfarm Payrolls (for April): Consensus 100K, Unemployment Rate (for April): Consensus 4.5%, Hourly Earnings (for April): Consensus 0.3%, Average Workweek (for April): Consensus 38.8

Big Picture: Payroll revisions have added 933K to the counts since March 2005. 754K were in the year ending in March 2006 as another 179K were added from April through year end 2006. Some early 2007 volatility still leaves a very tight labor market as the unemployment rate fell to a 4.4% post recession low in March. The relatively low labor participation rate continues to leave lean worker availability and a tight labor market. Employment trends lag the economy as final demand -- in excess of labor productivity -- feeds in to labor demand. Hourly earnings (for production workers) stand at 4.0% yoy after reaching a six year high in December. Signs of a strong labor market despite the historically moderate growth in payrolls (which are suspect after the huge upward revision earlier in the year).

Implications: Given the wealth of data contained in the employment report, it is important to take all of these indicators into account when passing judgment on the report. Looking at payrolls along is often misleading, as the workweek, earnings, and household employment measures may be telling a different story. Taken together, however, and taken with the caveats concerning monthly volatility and revisions, the employment report offers the best monthly glimpse of the economy.

Source: www.Briefing.com