



>: From the Editor: How About a Group Hug?

Monday, July 9, 2007 / Ben Schott

Welcome back to the real world, my friend.

Editor: It's been a year now since we first introduced your [Point & Profit](#) trading service. How has running the service affected your life?

I hope your holiday was fun and relaxing. Note to the calendar gods: Wednesday is a bumper of a day for July 4th to fall, don't you think?

Teeka: I have a new appreciation for how important the work is that we do here. There is so much misinformation when it comes to the stock market and how to make money in stocks that I am incredibly grateful for the opportunity

There's a whole lot of good here at Tycoon that I wait to share with you today. It just is a divided opinion that all of you from the bottom of my heart for the feedback and support you sent my way in response [last Monday's article](#).

Up until the last mid-October has performed to publish the service article. But after reading all of your comments, I'm glad that I did. In all seriousness, your well-wishes and personal stories touched me deeply ? I feel like we've all just had a great big Tycoon Report group hug.

But enough with the ~~Thanks/uff~~ darn good! To date, our average profit has been in the neighborhood of 40%, with several trades clocking triple digit returns. Over the last 12 months we've blown away the performance of the S&P 500.

Now, as they say, it **Editor:** What track record is behind these as a you've earned from running PNP?

Teeka: Individual investors need a lot more attention than institutional ones! I come from a world where you only communicate with your clients 2-4 times per year. That's a model that just does not translate well to the newsletter industry!

What's New in The Tycoon Report

Editor: What do you have in store for Point & Profit members in the future?

1. Read Something Helpful? We've Got More Where That Came From!

Teeka: More trades of course, but just as important I want to offer even more education. You see, a lot of what enables me to make money in the markets is that I have witnessed so many different market cycles. As we go through

You know what it's like when you go on a nice, peaceful back to work only to find an overpriced, overvalued, overhyped stock market that is going to go down in a way that will take you away?

Well, while I would not call myself an absolute genius in the marketplace, I do know from my past that you gain the proper historical perspective on the market you gain HUGE confidence in your macro trading calls. That is, you start

playing TRENDS instead of events. The difference between the two methodologies is as wide as the Indian Ocean.

There was a silver lining in this case, however: A wealth of terrific suggestions from readers for The Tycoon Report waiting in my [Editor@TycoonResearch.com](#) account.

Editor: Can I have your BBO basket recipe?

One of these, you might have noticed, I started to implement with last Thursday's edition ...

Teeka: The secret's in the rub, and I'm taking that with me to the grave!

Now, at the end of each main article in The Tycoon Report, you can find a list of related articles from our archives. Now, if you read an article that interests you and that discusses something you want to learn more about, there's a quick and easy way for you to find more information

2. Get Personal with the Writers You Love

You might have noticed a trend to many of the changes we're making to The Tycoon Report newsletter and [website](#).

Just as Wayne mentions in his article for today, our driving theory is that everyone involved ? from readers to our writers themselves ? will come away much richer for the experience if we can flip the newsletter business on its head and make it more about two-way communication than about some expert telling you what's what.

This is why you can now critique, compliment, debate, or converse with our writers and with your fellow readers on our website.

It's why you have a standing invitation to [write me directly](#) with any feedback or suggestions you might have that would help us make The Tycoon Report even better.

And it's why we're constantly dreaming up new ways for our writers and readers to communicate.

One such way is something that I'll be starting right here, today, in this article: [Weekly interviews with Tycoon editors and reader-contributors](#).

As part of my Monday articles, I'll choose one Tycoon personality and ask them a few questions about what's going on in their lives. Some weeks it will be one of our regular writers, and others it will be a Tycoon Report reader who have [submitted articles](#) on the website.

To kick it off, this week I'll go straight to one of the ?biggest? personalities I know, and start with a few questions and answers with Teeka Tiwari, CIO of Point & Profit and creator of the [ETF Master Trader](#) course ?

Tycoon Spotlight: Teeka Tiwari

We'd Like to Write You a Check for \$?????

Finally, I'd like to give you a sneak preview of something that has all of us here very excited.

As you know, we've been actively seeking article submissions from our readers. In fact, one of the most significant additions to the new Tycoon Report website is a [quick and easy way for you to share your wisdom](#) with a huge audience of investing-minded people like yourself.

Plus, just this past May, we held a contest where we gave away a free [Trend Rider](#) membership to one lucky reader who submitted [the best article](#).

I'm not going to give away too many details today, but to get the ?Member Articles? section on the new TycoonReport.com off to a running start, we'll be holding another ... much more competitive, and much more rewarding ... contest shortly.

So keep your eye on The Tycoon Report for more details, which we'll be sharing soon.

To your continued success,

Ben Schott

Ben Schott
Chief Investment Officer

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Monday, July 9

15:00 - *Consumer Credit (for May): Consensus \$6.0B*

Big Picture: Tax cuts and cash out mortgage refinancing provided consumer funding in past years as 6% yoy income growth and equity gains now provide the means outside of credit. Credit cards (revolving credit) make up 37% of total consumer credit, which stands at \$2.4 trillion. Nonrevolving credit helps finance auto purchases, tuition (including Sallie Mae), vacations and other forms of consumer borrowing. Annual growth of 4.9% has shown acceleration from the 3.4% yoy decade low of a year ago. Consumer credit includes household non-mortgage loans.

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.

Tuesday, July 10

10:00 - *Wholesale Inventories (for May): Consensus 0.4%*

Big Picture: Wholesaler inventories growth of 7% yoy is below the 9% annual growth in sales. The inventory to sales ratio is back down at the 1.12 month record low of June 2006. The recent draw down of inventories was quick for wholesalers, but continues for manufacturers and retailers. Longer term trends reflect comfort at those I/S lows as technology allows for continued improvement in just-in-time inventory management. The smaller inventory swings from rebuilding and draw downs leaves a steadier pace of domestic growth.

Implications: The wholesale trade report includes sales and inventory statistics from the second stage of the manufacturing process. The sales figures say close to nothing about personal consumption and therefore do not move the market.

Thursday, July 12

8:30 - Initial Claims (for 7/07): Consensus NA

Big Picture: Initial claims had been following a subtle upward trend, which has again been challenged with the recent low levels. Aberrations are watched for clues on the labor market and economy as the recent levels reflect an even tighter labor market. Continued claims also falling off its March highs as the 4-week average stands about 100K above the six-year low of May 2006. Claims provide a nearly real-time read on layoffs and the labor market as the low 4.5% 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 - Trade Balance (for May): Consensus -\$60.0B

Big Picture: The August 2006 deficit reached a record high -\$68.6 bln as lower energy prices and weaker domestic growth have helped to pull the deficit lower since. The swing of petroleum import prices mask the weakening domestic demand for foreign goods, as the weaker dollar and economy slowly provide the force. Exports feed a stronger world economy and have shown eight new record highs over the last nine months. From a year ago, exports have risen 11% as imports have risen 5%. Import growth carries a larger effect as they are about 50% larger than exports. The massive size of the deficit is eyed for effects on the dollar and interest rates. The trade deficit demands an equal but opposite investment inflow from abroad as current foreign demand remains exceedingly strong given the return of petrodollars and Asian demand.

Implications: The trade report is most widely watched for trends in the overall trade balance. But trends in both exports and imports of goods and services bear watching as well. The export data in particular are important to watch for indications that a strengthening competitive position at home and/or strengthening economies overseas are boosting U.S. growth. Imports provide an indication of domestic demand, but given the severe lag of this report relative to other consumption indicators, it is not particularly valuable for this purpose.

14:00 - Treasury Budget (for June): Consensus \$31.0B

Big Picture: Strong tax receipt growth continues to lead a path toward lower deficits given the strong (ex-housing) economy, profits and income growth. Spending remains stronger than desired as fiscal discipline is needed. The FY05 improvement sliced away a quarter of the record \$413 bln FY04 deficit as FY06 sliced away another \$71 bln. FY07 has already sliced \$79 bln through May as the outlook sides with a smaller FY deficit than the current 12 month total of -\$170 bln.

Implications: The monthly Treasury budget data follow strong seasonal patterns which produce huge month-to-month fluctuations in the deficit. These fluctuations tell us little about long term budget trends. To the extent that the market analyses the monthly Treasury data, the focus is on year/year changes in receipts and outlays, since the data are not seasonally adjusted. Only in April, the most important month for tax inflows to the

Treasury, does the market pay any attention to this report. The data can be predicted with reasonable accuracy by using daily data in the Daily Treasury Statement.

Friday, July 13

8:30 - Export Prices ex-ag. (for June): Consensus NA, Import Prices ex-oil (for June): Consensus NA

Big Picture: Import prices are decelerating, partly due to the effect from petroleum prices and the prices from the Pacific Rim which show small declines from a year ago. Export prices are on the rise as agricultural (18% yoy) reflect the increased demand for grains that are now being increasingly used as alternative fuels. Total export prices are almost four times the annual growth in import prices.

Implications: Though not a market-moving release, export/import prices are a useful indication of inflation pressures created by changes in foreign exchange rates. For example, when the dollar is strong, import prices tend to be under downward pressure. If an item in Japan costs 500 yen and the exchange rate is 100 yen to the dollar, the US\$ price \$5. If the dollar then strengthens to Y120, the US\$ price falls to \$4.17. Because US exports must compete with foreign goods, there is also downward pressure on export prices when the dollar is strong. Economists typically look at import prices excluding oil and export prices excluding agricultural. In each case, the category in question is excluded because prices for those items are volatile and the swings are unrelated to foreign exchange rates. Oil prices tend to swing in response to OPEC decisions, and agricultural prices are often affected by weather, neither of which say much about long-term trends in traded goods prices.

8:30 - Retail Sales (for June): Consensus 0.3%, Retail Sales ex-auto (for June): Consensus 0.2%

Big Picture: Retail sales are slowing under the weight of a high Fed policy rate as the current rise in gas prices again drags alternative sales. Strong retail sales growth had been fueled by low interest rates, vehicle discounting and mortgage refinancing as those forces faded in late 2005 and 2006. Despite the improved employment and income growth the Fed tightening and high energy prices have had a deflating effect on consumer spending and big ticket durable goods purchases particularly. Strong income growth and the low unemployment provides support and is the best read on the future sales pace.

Implications: The retail sales report is a measure of the total receipts of retail stores. The changes in retail sales are widely followed as the most timely indicator of broad consumer spending patterns. Retail sales are often viewed ex-autos, as auto sales can move sharply from month-to-month. It is also important to keep an eye on the gas and food components, where changes in sales are often a result of price changes rather than shifting consumer demand. Retail sales can be quite volatile and the advance reports are subject to rather large revisions. Retail sales do not include spending on services, which makes up over half of total consumption. Total personal consumption is not available until the personal income and consumption reports are released, typically two weeks after retail sales.

10:00 - Business Inventories (for May): Consensus 0.3%

Big Picture: The inventory to sales ratio stands at 1.27 months from the record low 1.25 months in January

2006 as inventory gains of 5% yoy compare to a 4% yoy rise in sales. April growth was the strongest since September as the inventory drawdown seems largely complete. The long trend toward smaller I/S ratios and the tighter range leaves less of a resulting effect on economic growth.

Implications: The business inventories report includes sales and inventory statistics from all three stages of the manufacturing process (manufacturing, wholesale, and retail). But by the time it is released, all three of its sales components and two of its inventory components have already been reported. Because retail inventory is the only new piece of information it contains, the market usually ignores the business inventories report. However, sometimes retail inventories swing enough to change the aggregate inventory profile. This may affect the GDP outlook. When it does, the report can elicit a small market reaction.

10:00 - Michigan Sentiment-Prel. (for July): Consensus 86.0

Big Picture: The push to a two-year high in January was largely tied to the drop in gasoline prices, as equity prices have helped in recent months as gas prices turned higher. Fears about housing, higher gasoline prices and now higher interest rates are partly offset by the strong labor market. The University of Michigan survey is significantly smaller (500 phone calls, just 250 in preliminary) than the Conference Board's, includes a longer outlook (for expectations) as questions are focused on the household compared to the business heavy CB survey. The index far better tracks the consumers' mood than spending habits better indicated through interest rates and income growth.

Implications: The Michigan index is almost identical to the Conference Board Consumer Confidence index, though there are two monthly releases, a preliminary and final reading. Like the Conference Board index, it has two subindexes -- expectations and current conditions. The expectations index is a component of the Conference Board's Leading Indicators index.

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