



>: Making it EASIER for You to Improve Your Investing?

Monday, October 22, 2007 / Ben Schott

You happen to notice anything different about *The Tycoon Report* today?

- How can we make it easier for our readers to access our experts' advice?

Today marks the first issue of our new and improved, completely redesigned *Tycoon Report*. We hope you like it.

When we sat down in a conference room to debate the design changes you see today, there were two questions that we had to answer:

In other words, the changes you see today aren't about some shiny new bells and whistles. Instead, every idea we came up with had to answer one of those questions, or it never made it out of our first meeting.

So Go Ahead, Kick the Tires ...

Meanwhile, here are a few of the changes that I'm most excited to share with you:

1. *Our Ugly Mugs*

Most of us here run from cameras.

We've always felt that anything but the information and analysis we share isn't worthy of taking up space. Why take up even an inch of that valuable real estate out of some egotistical need for recognition?

Plus, with the exception of myself, we're not exactly Brad Pitt.

But one member of our team -- we'll call her Kat, because that's her name -- made a point that ultimately convinced us to step out from behind the curtain and show our faces.

She said (and I'm paraphrasing): "Investment advice is right up there with medical advice. The wrong kind can cost you a lot, and the relationship with the person giving it to you is important. Would you feel comfortable making serious medical decisions if you couldn't sit down face to face with your doctor? Don't you think it might help people to look into your eyes while you give them advice about what to do with their hard-earned money?"

After that, it was a pretty short debate.

2. *Share Your Opinion in One Click*

Obviously, we're big on the concept of creating a two-way conversation with you. We've encouraged you for months now to submit articles, and our website now allows you to rate articles for how helpful they've been to you, and to comment in a public forum on any article you see.

The new *Tycoon Report*

email format makes it even easier to share your thoughts. Now you can rate the articles right here in the email, without the extra step of going to the website.

3. *Member Articles*

Why exactly do we want you to submit articles for your fellow readers?

Two reasons, really.

First, when we were just a "baby" newsletter a few years ago with several hundred readers, that was one thing. Today, hundreds of thousands of people read *The Tycoon Report*

. With all of you out there, at every point of the spectrum in terms of investing and trading experience, you might just find yourself learning just as much from your fellow readers as you do from us.


noticed this in the past, and it most definitely applies to your development as an investor as well.

So now that you understand the "why" ... notice that there is a prominent link along the right side of this email issue for submitting articles. In addition, along with the fancy new look, our back-end programming has also been upgraded to make it easier for us to post reader articles right here in the email issues ... so get ready to see a lot more from your peers. Are you ready to step up to the plate?

What Do You Like Most (and Least) About the New *Tycoon Report* Look?

Now that I've shared a few of my favorite changes, we'd love to hear what you like most -- or hate, even -- about the new look, feel, and features in *The Tycoon*

So, please, click the "Post a Comment" button below and let us know!



Ben Schott
Chief Investment Officer

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Wednesday, October 24

10:00 - Existing Home Sales (for September): Consensus 5.30M

Big Picture: Home resales reached a five-year low in August after six monthly declines, and there is no evidence of any stabilization. The weak sales pace left an extraordinary 10-month supply of inventory -- a new cyclical high. Prices don't reflect the -25% decline since the record high in mid 2005, as median prices are just above the year ago level and average prices are just below. We expect prices will have to show a 5% - 10% decline to clear inventories. Existing sales include condos/coops which make up about 1/8 of the total. The upturn will be slow, as sub-prime foreclosures add to already bloated inventory.

Implications: The name speaks for itself: this report provides a measure of the level of sales of existing homes. The report is considered a decent indicator of activity in the housing sector. Housing starts precede this report each month, but starts are a supply rather than demand-side indicator. Existing home sales precede the other key demand-side indicator of housing -- new home sales -- thus boosting the visibility of this report. Sales are highly dependent on mortgage rates, and will tend to react with a few months lag to changes in rates. Sales are also determined by the level of pent-up demand for housing. Immediately after a recession, sales are typically quite strong due to the demand which accumulated through the recession.

Thursday, October 25

8:30 - Durable Orders (for September): Consensus 1.5%

Big Picture: Durable goods order growth has returned, as core capital goods (read business investment) has faded. The volatile components can swing sharply, but suggest a return to slower business investment as seen in late 2006. July durable goods reached a record high, given the surge in aircraft and vehicles. The risk ahead is that a weak economic growth outlook delays orders and slows manufacturing output, thereby further slowing the economy. Strong corporate balance sheets, high capacity use and rising exports remain strong underlying factors.

Implications: The durable orders release measures the dollar volume of orders, shipments, and unfilled orders of durable goods (defined as goods whose intended lifespan is three years or more). Orders are considered a leading indicator of manufacturing activity, and the market often moves on this report despite the volatility and large revisions that make it a less than perfect indicator. These problems can be minimized by looking at the breakdown of orders. The total number is often skewed by huge increases in aircraft and defense orders. An increase based solely on strength in one sector tends to be discounted, while the market is more impressed with broadbased increases in orders.

8:30 - Initial Claims (for 10/20): 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 as hiring (seen in continued claims) has cooled, as reflected in the 20-month high in the early September 4-week average and the slower growth in payrolls. Claims provide a nearly real time read on layoffs and the labor market, as the low 4.7% 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 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.

10:00 - New Home Sales (for September): Consensus 785K

Big Picture: New home sales reached a 7-year low in August as the downward trend continues. The National Assoc of Realtors expects new home sales to trough in Q4, but revisions continue to move lower as the subprime mortgage mess worsens. Unsold inventories are near the 8.3 month peak of March. Prices are beginning to reflect the lack of demand and bloated inventories as they fell -7.5% yoy. New construction is waiting for any sense of stability to signal that the end is near -- nothing yet, as prices need to fall further to clear inventory and get the sector back on its feet.

Implications: The report indicates the level of new privately owned one-family houses sold and for sale. New home sales usually have a lagged reaction to changing mortgage rates. They also tend to be stronger early in the business cycle when pent-up demand is strong, and they fade later in the cycle as the demand for housing is sated. In addition to home sales, the market monitors the number of homes for sale relative to the current sales pace. As this inventory measure falls (rises), housing starts tend to rise (fall). Finally, the median home price provides an indication of inflation in the housing sector, though only year/year changes provide any

meaningful information.

Friday, October 26

10:00 - Michigan Sentiment-Rev. (for October): Consensus 82.5

Big Picture: The push to a two-year high in January was largely tied to the drop in gasoline prices. Volatile equity prices, falling home prices and economic fears have pushed the index down by 15% since. 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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