



# PHIL'S STOCK WORLD

HIGH FINANCE FOR REAL PEOPLE | FUN AND PROFITS

Dow Jones	11,444
S&P 500	1,225
NASDAQ	2,579
NYSE	7,800
Russell 2000	736.59
Oil	86.85
Gold	1,397.30

## THIS WEEK'S NEWSLETTER:

**MONDAY MARKET MOVEMENT - MORE MONETARY MADNESS**  
POMO Monday

**GOVERNMENT TURNOVER TUESDAY - TIME TO BLAME THE NEW GUYS**  
Midterm Elections

**WHIG PARTY WEDNESDAY - REPS TAKE THE HOUSE AND QE TOO!**  
The Official Launching of the QE2

**INFLATIONARY THURSDAY - BENNY DROPS THE BIG ONE!**  
Bernanke publicly defends more stimulus

**FEDERALLY FUNDED FRIDAY**  
David Stockman takes Bernanke to task

**THE WEEK AHEAD**

**BONUS SECTION: WEDNESDAY FOMC HIGHLIGHTS**

One event above all others dominated the financial world this week: Wednesday's announcement by the Fed of a second round of financial stimulus via the mechanism of massive purchases of bonds, or "quantitative easing", hence the nickname of "QE2" (Quantitative Easing Part 2: The Sequel).

Speculation as to the size and scope of QE2 had been running rampant for weeks, with estimates of a "Mini-QE" effort of **\$500 billion** up to as much as **\$2 trillion or more**. A survey released earlier this week by Blue Chip Financial Forecasts showed that most leading economists expected QE2 to be **between \$500 billion and \$750 billion**. Moreover, 93% of those economists surveyed felt that the impact of these purchases had already been priced into the markets.

At 2:15 PM Wednesday, the Fed's highly anticipated news was announced: The QE2 plan is for the Fed to purchase **\$600 billion** in longer-term Treasuries by the end of the second quarter of 2011, a rate of about **\$75 billion** in purchases per month. This was the "headline" version, e.g., Thursday's Wall Street Journal read "Fed Fires \$600 Billion Stimulus Shot."

The text of the actual statement from the Fed provided the following:

*"The FOMC also directed the Desk to continue to reinvest principal payments from agency debt and agency mortgage-backed securities into longer-term Treasury securities. Based on current estimates, the Desk expects to reinvest \$250 billion to \$300 billion over the same period, though the realized amount of reinvestment will depend on the evolution of actual principal payments."*

*"Taken together, the Desk anticipates conducting \$850 billion to \$900 billion of purchases of longer-term Treasury securities through the end of the second quarter. This would result in an average purchase pace of roughly \$110 billion per month, representing about \$75 billion per month associated with additional purchases and*

*roughly \$35 billion per month associated with reinvestment purchases.”*

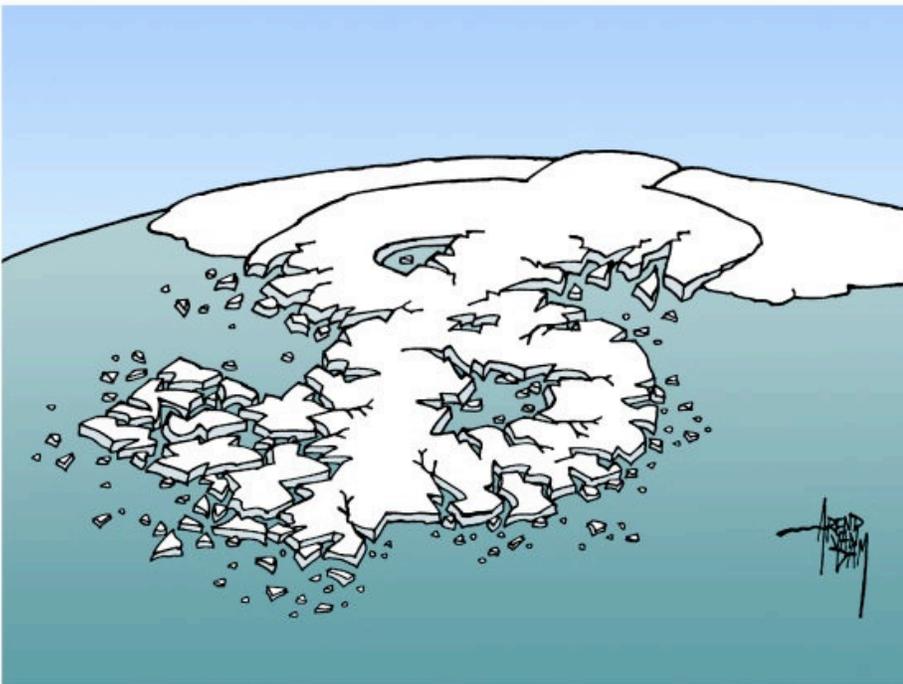
Suddenly \$75 billion a month is transformed into a real \$110 billion a month, nearly 50% higher than the headline number being touted in most press articles. Multiply that by the eight months between now and the end of next June and we get a grand total of \$880 billion, give or take depending on principal payments on existing agency debt.

Phil commented *“After putting over \$2Tn into our **Dead Parrot Economy** since the crash and getting no response, Bernanke is upping the ante with another \$600Bn round of Quantitative Easing **ON TOP OF the ongoing \$250-\$300Bn round of POMO commitments** for a total of about \$110Bn per month dumped into the economy between now and the end of Q2. This represents a 10% increase in the money supply over 8 months and, therefore, a planned 10% decrease in the purchasing power of your dollar-denominated assets or, to put it bluntly - a 10% tax on everything you own.”*

So the QE2 is not a \$600 billion effort, it is instead a nearly \$900 billion attempt to reinvigorate the US economy by pumping liquidity into the banking system. By any standard \$900 billion is a lot of money, and this money is going to have to end up somewhere.

Monday and Thursday were “POMO” days, which are days when the Federal Reserve uses its **“Permanent Open Market Operations”** to either add to or drain capital reserves available in the banking system. To increase these reserves the Fed buys Treasuries from “Primary Dealers” with cash, and to decrease these reserves the Fed sells Treasuries to these Primary Dealers in exchange for cash. The recent actions have been “outright coupon purchases” where the Fed buys Treasuries with cash.

Who are these “Primary Dealers”? [According to the website of the New York Fed](#), they include Barclays Capital, Citigroup, Goldman Sachs, J.P. Morgan and fourteen others. These are the recipients of funds from the Fed. What do these Primary Dealers then do with this money?



**AN INCONVENIENT TRUTH...**

When we look at recent price increases in equities and commodities, it is not difficult to conclude that this money is being pumped into equity and commodities markets and causing prices to rise. The net result is inflation in asset prices, such as stocks and commodities, along with dilution and devaluation of the Dollar. This signals the formation of a strong wave of inflation that carries the risk of becoming hyperinflation. All eyes are still on the Dollar to see how it is going to fare after the launching of QE2 - how much did the Dollar anticipate the QE2 flood of liquidity, and how much more devaluing is yet to come?

# Monday Market Movement - More Monetary Madness



“Stocks finished near breakeven” was how most financial reports described Monday, making it sound like a ho-hum day where nothing much happened. What actually happened was that the markets had a strong up move at the open, with the Dow climbing to 11,220 by 10am, then dropping 150 points to an intra-day low of 11,070 in the late afternoon, only to recover during the last 45 minutes of trading to finish the day at 11,125. So much for “boring.”

So what happened to make the markets react so strongly? One possible answer is that Monday was also a POMO day. As [Tyler Durden of Zero Hedge](#) noted, the \$85 million worth of Treasuries monetized Monday “were part of the *same issue that was auctioned off a whopping two short weeks ago!* In other words: Treasury issues, Primary Dealers hold for two weeks, and then turn around and sell right back to the Fed. Monetization Q.E.D.”

Goldman Sachs sent out a note to its Client Distribution List in mid-October pointing out that owning the S&P 500 index only on days when the Fed conducted Permanent Open Market Operations (in US Treasuries) would have returned a cumulative 11% since September 1st. It would have been possible to outperform the overall

“*This is not about my ability to call a market, this is about how pathetically obvious the market is to call (and take full advantage of) as we move back to the blatant, obvious, fearless manipulation that wiped out Trillions of dollars of middle-class equity before this country had it's brief flirtation with hope and change.*” - Phil

market by 2x by simply being long the S&P only on the 16 days when POMO was being conducted.

Phil's Stock World has been pointing out that the difference between POMO days versus non-POMO days has been about 10:1 in favor of the bulls, with the S&P rising 10.5% since August 27 on POMO days while gaining only 0.91% on non-POMO days during this same period. Although one might think Goldman's note could have dampened these moves, it didn't. The moves have been more extreme since late September's Fed meeting.

Phil's discussion of the Fed and impact of POMO on Monday led to a trade idea for SPY. He wrote: “Obviously, the move is to go short off the gate, using a line like 1,190 on the S&P as an on off switch. We look for a weekly like the SPY \$118 puts for less than \$1 but keep in mind any kind of play ahead of the election (tomorrow), the Fed (Wednesday) or the Non-Farm Payroll report is very much gambling as each of those could send us 200 Dow points up or down very quickly.” Those puts came in at .70 and made a near double by late afternoon, topping out at \$1.39.



# Government Turnover Tuesday - Time To Blame The New Guys



Midterm elections were held Tuesday in the U.S. and as expected the Republican party took a majority of the House, while the Democrats retained a reduced but still intact majority in the Senate.

Investors welcomed the news of Republicans taking over the House as they anticipated a more "business friendly" attitude prevailing on Capitol Hill over the next two years, with deregulation and tax cuts being a priority for the incoming Republican representatives.

The markets went mostly sideways all day, as many investors stayed on the sidelines waiting to see the results of the elections and the nature of Wednesday's FOMC announcement. The Dow closed up 0.58% to finish at 11,189 while the S&P was up 0.78% to 1,194 and the Nas was up 1.14% to 2534. The Dollar was down, opening at 77.2 and ending at 76.7 for a 0.7% loss, thereby negating most of the gains made in stocks.

“*Watch those lines at Dow 11,250, S&P 1,195, Nas 2,530, NYSE 7,850 and Rut 710 and consider that it's not like they haven't been over those lines before - so what is the problem? They got the election results they wanted, they got the QE2 they wanted, they got the earnings they wanted and we are nowhere near April's highs despite the fact that the dollar is 7% lower than it was then. If nothing else - keep in mind that **SOMETHING is wrong with this picture and that means it's time to BE CAREFUL OUT THERE!***” - Phil

## Phil's Tuesday Chat Commentary

Amatta asked Phil: *“I can't trade weeklies. What would be the next best option for the SPY recommendation? What is the line to watch?”*

SPY/Amatta - I don't like the longer SPY plays, it's a one and done thing for a day trade. **On the long(er) term, I prefer selling the QID Nov \$13 puts for .72 and buying 2x the \$13/14 bull call spread for .20 so your worst case is owning QID at net \$12.68, which is where it is now and the upside can be \$2.42 against about \$3 in net margin.**

Phil predicted, *“Today will be a day of uncertainty but anticipation is reaching frenzy levels - not for the election but for the very much unelected actions of Mr. Ben Bernanke tomorrow, who will continue to tax us without representation as he takes away the value of our savings almost as fast as we can add to them so we'd better keep finding our daily doubles - it's the only way to stay ahead of the game as we hyperinflate our way back to FCII (Financial Crisis II).”*

People are beginning to notice the distortion of the markets caused by the continuing decline of the Dollar. As Phil noted, *“Hey Kudlow had a good idea - make companies report earnings in ounces of gold!”* Apparently we are not the only ones paying attention to what is really going on.

Meanwhile, all eyes were turned towards the Fed in anticipation of its Wednesday announcement.

# Whig Party Wednesday - Reps take the House and QE Too!



Today was the day of the long awaited FOMC announcement officially launching the second round of quantitative easing, now commonly referred to as QE2. The markets rose modestly on the announcement. Perhaps because the Fed announcement was, at first glance, within the lower range of expectations, the overall response by the markets was subdued.

Phil commented on the Fed report shortly after it's release (bonus section at the end of this newsletter). The reaction to the Fed announcement was mixed, with some accepting it as necessary, some skeptical about its effectiveness, and others criticizing it as inflationary, harmful to the U.S. economy, poison for the Dollar, and a likely trigger for an out-and-out currency war.

Pimco's Bill Gross was among those arguing the necessity of QE2, saying *"The Fed's second round of QE, therefore, more closely resembles an attempted hypodermic straight to the economy's heart than its mood elevator counterpart of 2009. If QEII cannot reflate capital markets, if it can't produce 2% inflation and an assumed reduction of unemployment rates back towards historical levels, then it will be a long, painful slog back to prosperity."*

Yet Bill Gross also, in the same article, condemned QE2 as a Ponzi scheme: *"Now, however, with growth in doubt, it seems that the Fed has taken Charles Ponzi one step further. Instead of simply paying for maturing debt with receipts from financial sector creditors - banks, insurance companies, surplus reserve nations and investment managers, to name the most significant - the Fed has joined the party itself."* ([Run Turkey, Run.](#))

Mish Shedlock was very critical of QE2: *"There is little doubt, at least in this corner, that the plan cannot possibly work. Corporate borrowing costs are the lowest in history and that hasn't*

“ *“If the market breaks our tops, we are going to be loving the XLF which already owns most of the people who got elected last night. With FAS at \$22.44, we can sell the April \$19 puts for \$2.75 and buy the Jan \$17/21.67 bull call spread for \$3.10 and that's net .35 on the \$4.67 spread that's starting out 100% in the money and makes 1,334% if FAS simply holds \$21.67.”* - Phil

*spurred hiring. Will another quarter of a point lower matter? Will QEII even lower rates that much? Simple explanations as to why QEII will fail are best: ["Money's Already Quite Cheap"](#) It is sad but true economic thinking these days that the "Fed had to do Something". Why does it make sense to do something, just for the sake of doing, when it should be crystal clear that doing just adds to problems down the road."* ([QEII Announced, Fed Set to Buy \\$600 Billion in Bonds.](#))

Jon Hilsenrath of the Wall Street Journal pointed out that *"The Federal Reserve will print money to buy nearly as much U.S. Treasury debt in the next eight months as the U.S. government will issue. The Fed is essentially lending enough money to the government to fund its operations for several months, something called 'monetizing the debt.'* In normal times, this is one of the great taboos of central banking because it is seen as a step toward spiraling inflation and because it risks encouraging reckless government spending."

With the recent sharp increases in the prices of commodities such as cotton, coffee, soybeans and sugar, we think the evidence favors the argument that QE2 will, and already has, caused inflation in items we need while enabling Wall Street to rake in profits from speculative commodities trading. And while Main Street faces higher prices for necessities, the value of the Dollar keeps declining. This is a real tax on the American people.

# Inflationary Thursday - Benny Drops the Big One!



Repercussions to QE2 reverberated around the world in the wake of Wednesday's announcement. Japan, Hong Kong, China, India, London and Paris exchanges were all up between 1.6% and 2.1% before U.S. markets opened Thursday.

Thursday was a powerful day for the equity markets. It was also a POMO day. The Fed purchased \$4.765B in Treasuries of the 18.578B being offered by Primary Dealers. The Dow ended the day up 1.96% to 11,435 while the S&P was up 1.92% to 1,221 and the Nas was up 1.46% to 2,577 - all powered by a generous dollop of QE2 steroids. Conversely, the Dollar dropped to a low of 75.7, losing 1.5% of its value in the 24 hours after the announcement of QE2

While some cheered on the launching of QE2, others expressed serious concerns about the potential outcome. Pimco's Mohamed El-Erian wrote [an article in Wednesday's Financial Times](#) complaining that *"(QE2) is an inevitably blunt instrument for the difficult task of restoring growth and generating jobs. The benefits accruing*

*“I feel a little bad but not so much now that the elections are over and the people now have exactly what they voted for: Back to a bank and commodity-driven, survival of the fittest, Big Business economy where their jobs will be shipped overseas to the lowest bidder as the rich people sit around trying to figure out [how to begin charging them for water and air as well](#). Just another form of Mutually Assured Destruction? Hell no, we're (the investing class) going to make a fortune and the only people destroyed will be everyone else - [it's a fine plan!](#)" - Phil*

*to America come with burdens for other countries, and both could soon be swamped by the unintended consequences of this unavoidably imperfect policy approach."*

Ben Bernanke felt compelled to post a defense of QE2 in Thursday's Washington Post where he claimed that since growth has been so sluggish, unemployment so high, and inflation so low, a second round of stimulus would be the best thing to promote an economic recovery. As Bernanke put it, *"Today, most measures of underlying inflation are running somewhat below 2 percent, or a bit lower than the rate most Fed policymakers see as being most consistent with healthy economic growth in the long run."*

Yes, in the world that Ben Bernanke inhabits, inflation is 'somewhat below 2 percent'. Considering the recent increases in commodity prices, it is difficult to imagine what convoluted and tortuous process of statistical manipulation makes it possible for Bernanke to convince himself that inflation in the real world is that low. Perhaps he is using the Dollar as a denominator in his fractional equations, which would be a sure way to scramble those calculations, since everyone knows that you can't divide by zero.

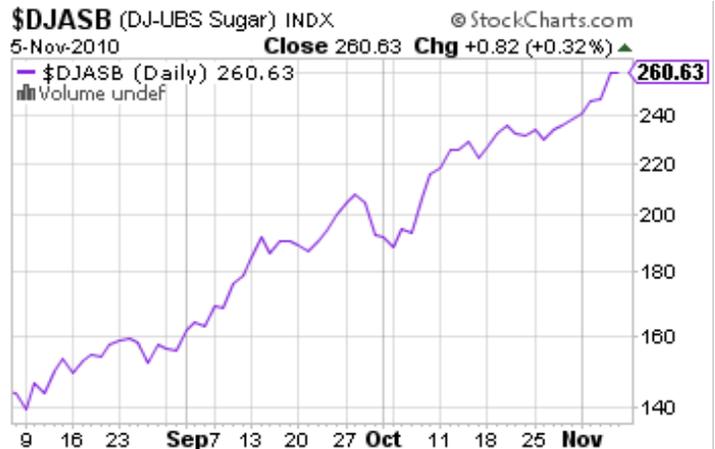
Granted, we're half kidding, but the continuing debasement of the Dollar is a serious matter and the rest of the world is taking note. Bank of Japan governor [Masaaki Shirakawa gave further details on the Japanese central bank's plans](#) to buy not just government bonds, but also lower-rated corporate bonds, ETF's and Japanese real estate investment trusts (J-REITs). Shirakawa spoke at an economic forum in Tokyo Wednesday where he said this program *"suggests that we stand ready to counter downside risks for the economy and that can provide relief to financial markets and have a positive effect on corporate sentiment."*

In other words, Governor Shirakawa just said “We’ll see your Treasury purchases and raise you a bunch of junk bonds and J-REITs to boot!” While the size of the current program is only \$62 billion, the scope of it is sobering, and there is little to prevent the Bank of Japan from expanding the size of the program at a later date. It would seem that earlier concerns about “competitive devaluation” may have been valid after all.

Because the Fed is convinced that inflation is so very low, we are providing the following charts of some key commodities to help illustrate the idea that perhaps they have made a mistake in their calculations. These charts show the increases in price for cotton, sugar, soybeans and copper over the last three months. True, the term “inflation” can be described in different ways, which makes understanding the the inflation/deflation debate difficult for non-economist types, but our point is that asset prices are increasing while the value of the Dollar is decreasing, and whatever technical term there is for that, it is not good for the U.S. economy.

## Phil’s New Breakout Levels

11/5/10	Dow	S&P	NAS	NYSE	Russell
BREAKOUT LEVELS	11500	1220	2600	7750	725
UP 10% (MUST HOLD)	11220	1177	2420	7500	700
UP 7.5%	10965	1146	2365	7280	672
UP 5%	10710	1123	2310	7140	666



# Federally Funded Friday



The [Non-Farm payroll employment numbers](#) were released by the Bureau of Labor Statistics on Friday. They showed an increase of 151,000 jobs in October, considerably higher than the [expected increase of only 60,000](#) predicted by economists and, presumably, used by Bernanke as part of his justification for launching QE2.

Former Director of the Office of Management and Budget David Stockman appeared on Bloomberg TV on Friday. When asked about the supposed independence of the Federal Reserve, he said *"Today the Fed is scared to death that the boys and girls and robots on Wall Street are going to have a hissy fit. And therefore these programs (like QE2 - ed.), one after another, are simply designed to somehow pacify the stock market, and hoping to keep the stock indexes going up, and that somehow that will fool the people into thinking they are wealthier and they will spend money."*

*"The people aren't buying that. Main Street is not stupid enough to believe that engineered rallies as a result of QE2 stimulus are making them wealthier and so they should go out and buy another Coach bag. This is really crazy stuff that I can't say enough negative about...The Fed is telling a lot of lies to the market... it is telling all the politicians on Capitol Hill you can issue unlimited debt cause it doesn't cost anything."*

*"We have \$9 trillion of marketable debt. Upwards of 70% of that has maturities of 5 years or less down to 90 days. All of those maturities are 1% down to 10 basis points. So from the point of view of Congress, the cost of carrying the debt is essentially free. When you tell politicians they can issue \$100 billion of debt a month for free, how do you expect them to do the right thing, and ask their constituents to sacrifice... I think the Fed is injecting high grade monetary heroin into the financial system of the world, and one of these days it is going to kill the patient."*

## Phil's Friday Chat Commentary

Tuscadog asked Phil: *"You mentioned Monday is another POMO - therefore hold off on any short positions until Monday afternoon? I took your reply yesterday to mean yes buy some ABX as a good inflation hedge?"*

POMO/Tusca - We need to watch for another week to get the new rhythm of the market now that QE2 is a fact of life so caution at the moment but if the G20 are not going to do something to stop us this weekend and will wait for the meeting, then I don't see this market going lower. ABX is an obvious play as you are effectively buying gold but it's gold with cash flow, not just some metal laying in a vault. Their forward p/e is just 13.65 and if gold goes up, that goes down and ABX is sitting on 140M ounces of gold, which is \$196Bn at today's price so it's not even worth mentioning their 6Bn pounds of copper (\$24Bn) or \$1Bn ounces of silver (\$26Bn) and you get all that for a market cap of \$49Bn vs, for example, owning GLD, which is valued at \$48Bn and sort of kind of has contracts that should give them \$48Bn worth of gold but they roll them every day and cost investors a fortune in fees and costs while ABX discovers more gold and gets more efficient at mining it and selling it PLUS, they are smart enough to hedge the downturns for you!

So, I was going to save this for the weekend post but I do like ABX at \$49.66 as a hedge and you can do so many things with them like entering by selling the Apr \$45 puts for \$2.30 and, since who doesn't want to own ABX for net \$45, you can spend that \$2.30 on 1/2x the 2013 \$50/65 bull call spread at \$4.50 so you are in the \$15 (or 1/2 so call it \$7.50) spread for net \$0 and your worst case is you get ABX for 10% off in April and we can talk about hedging that on the weekend. If this trade works out you can sell more puts and layer up the spread until you build up a substantial and free upside position in gold - THAT'S a nice way to hedge inflation!

# The Week Ahead



Starbucks CEO Howard Schultz was interviewed on CNBC this week. When asked about coffee prices going up, Schultz replied *“This is the first time in our entire history that we’ve seen coffee prices artificially soar when there is no real issue on supply and demand. So we’re dealing with uncharted waters here and the unfortunate thing is that the people making money in the coffee market are not coffee growers, it’s people on the financial side. So I don’t think it’s sustainable, I think it’s unfortunate.”*

When asked about passing the increases along to the consumer, Schultz said that he is committed to doing everything he could to not pass his increased costs along to his customers.

The Pragmatic Capitalist posted an article about the interview with Schultz, noting that Schultz summarizes the effect QE2 is having on companies like Starbucks. He writes: *“So what do we have? It’s quite literally a ponzi scheme. We have a Fed that has openly admitted that they want prices “higher than they otherwise should be”. And speculators are taking them up on their offer by borrowing in dollars and buying any and all inflation hedges. Meanwhile, the real economic benefit of this all is nil. In fact, it is doing nothing but generating margin compression,*

## Marcus Antonius:

*And Caesar's spirit, raging for revenge,  
With Ate by his side come hot from Hell,  
Shall in these confines with a monarch's voice  
Cry "Havoc!" and let slip the dogs of war,  
That this foul deed shall smell above the earth  
With carrion men, groaning for burial.*

Julius Caesar Act 3, scene 1, 270-275

*excess volatility in financial markets and promoting the financialization of this country - the same thing that nearly destroyed it just two years ago.”*

The stage is now set, the battle lines have been drawn and the gauntlet has been thrown down. The message from the Fed is clear: “Inflation or Bust”, although the Fed does not admit that QE2 is inflationary according to its definition of inflation. We worry that the Fed is wrong.

Did Bernanke just cry ‘Havoc!’ and let slip the dogs of Hyperinflation?

Monday 8	Tuesday 9	Wednesday 10	Thursday 11	Friday 12
11:30 AM: 3-Month Bill Auction	7:45 AM: ICSC-Goldman Store Sales	8:30 AM: Initial and Continuing Unemp. Claims	Veterans Day	9:55 AM: Consumer Sentiment
11:30 AM: 6-month Bill Auction	8:55 AM: Redbook	8:30 AM: Export / Import Prices		4:30 PM: Fed Balance Sheet
1:00 PM: 3-year Note Auction	11:30 AM: 4-Week Bill Auctions	8:30 AM: International Trade		4:30 PM: Money Supply
POMO DAY		2:00 PM: Treasury Budget		

# Special Bonus Supplement - Wednesday

## FOMC Highlights



**Ed. Note:** The Color highlighting has been done by Phil, and his comments appear in this section in quotes and in *Bold Italic*. Green text is used to indicate things that are positive for the economy, and red text is used to indicate things that are negative for the economy.

*Release Date: November 3, 2010*

### For immediate release

Information received since the Federal Open Market Committee met in September confirms that the pace of recovery in output and employment continues to be slow. Household spending is increasing gradually, but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit. Business spending on equipment and software is rising, though less rapidly than earlier in the year, while investment in nonresidential structures continues to be weak. Employers remain reluctant to add to payrolls. Housing starts continue to be depressed. *Longer-term inflation expectations have remained stable, but measures of underlying inflation have trended lower in recent quarters.*

“After housing starts, it had said: ‘Bank lending has continued to contract, but at a reduced rate in recent months. The Committee anticipates a gradual return to higher levels of resource utilization in a context of price stability, although the pace of economic recovery is likely to be modest in the near term.’ - So there is already more bank lending and they are mum on resource utilization and going ahead with QE anyway. **VERY dangerous!**”

*Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. Currently, the unemployment rate is elevated, and measures of underlying inflation are somewhat low, relative to levels that the Committee judges to be consistent, over the longer run, with its dual mandate. Although the Committee anticipates a gradual return to higher levels of resource utilization in a context of price stability, progress toward its objectives has been disappointingly slow.*

*To promote a stronger pace of economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate, **the Committee decided today to expand its holdings of securities.** The Committee will maintain its existing policy of reinvesting principal payments from its securities holdings. **In addition, the Committee intends to purchase a further \$600 billion of longer-term Treasury securities by the end of the second quarter of 2011, a pace of about \$75 billion per month. The Committee will regularly review the pace of its securities purchases and the overall size of the asset-purchase program in light of incoming information and will adjust the program as needed to best foster maximum employment and price stability.***

“That last bit is disappointing as the market doesn’t want the Fed to have any reason to back off over 6 months. Also, \$75Bn a month is disappointing but it is **IN ADDITION** to rolling other securities so probably adds up to \$100Bn or more. Still, as we expected, it’s not enough to support the insane expectations the market has built into this statement and down we go.”

*The Committee will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels for the federal funds rate for an extended period.*

*The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to support the economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate.*

**“OH NO!!!! Look what they removed: ‘and is prepared to provide additional accommodation if needed’ - Ththththis is all folks!”**

*Voting for the FOMC monetary policy action were: Ben S. Bernanke, Chairman; William C. Dudley, Vice Chairman; James Bullard; Elizabeth A. Duke; Sandra Pianalto; Sarah Bloom Raskin; Eric S. Rosengren; Daniel K. Tarullo; Kevin M. Warsh; and Janet L. Yellen.*

*Voting against the policy was Thomas M. Hoenig. Mr. Hoenig believed the risks of additional securities purchases outweighed the benefits. Mr. Hoenig also was concerned that this continued high level of monetary accommodation increased the risks of future financial imbalances and, over*

*time, would cause an increase in long-term inflation expectations that could destabilize the economy.*

**“ “Hoenig remains the sole voice of reason but he doesn’t even get to vote next year! There’s one more meeting on Dec 14th and then Jan 26th, March 15th...”**

***So, I think this was not enough and forget the local reaction - how is the World going to feel about a possible bottom to the dollar, which is zooming back over 77 and look at TBT fly. Why is TBT flying? Because the Fed will only buy \$75Bn of Tim’s trash each month and we need to sell A LOT more than that.***

***Notice how this report was a disappointment and Bill Gross bolted from CNBC - when the statement goes his way he sits around pontificating for hours.***

***Tonight would be a great night for the BOJ to intervene on the dollar but we’ll have to wait and see.”***

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