

Monsoon Wealth Management

First Quarter Outlook

Preserving wealth, Managing risk

January 2010

The Fog of Worry?

January's reliable opaque economic data from December arrived on queue giving green shootists an opportunity to clear their throats. Up, up, and away for twenty-ten. As we shut the door on the year 2009 and the decade it belong to it was unanimous that that miserable period was better off gone and forgotten. But it won't be.

Although the stock averages redeemed themselves with positive returns, and making investors feel good by returning a portion of their wealth lost in 2008, the bottom line showed no improvement of one's lot in the stock market. For the year just ending, the Dow bulled rose by 19%, the S&P 500 by 23% and the NASDAQ by 44%. Additionally, since the beginning of March to year's end, the Dow rose 59%, the S&P 65% and the NASDAQ 79%. The stock market and the economy are separate entities.

Looking at economic data paints a very different picture. State and local tax revenues declined 7% in the third quarter of 2009, compared with the level a year earlier, according to the Census Bureau. Income taxes were down 12%. The data highlights the budget strains that are rippling through the municipal-bond market.

Consumer credit decreased at an annual rate of 8-1/2 percent in November. Revolving credit decreased at an annual rate of 18-1/2 percent, and non-revolving credit decreased at an annual rate of 3 percent.

On the gold front, while gold on Nymex's Comex positively sparkled, gaining some 280%, to close out 2009 at \$1,095.20 an ounce gold hit record highs no fewer than 27 times in 2009. It closed up for the fifth straight quarter -- and the ninth consecutive year. The first day of trading this year, gold climbed over 2%, more than enough to cover my annual management fee.

The following is from the Monex Precious Metals Review:

GOLD:

Monex spot gold prices opened the week at \$1,116 . . . traded as high as \$1,139 on Friday and as low as \$1,116 on Monday and Tuesday . . . and the Monex AM settlement price on Friday was \$1,138, up \$22 for the week. Gold support is now anticipated at \$1,126, then \$1,100, and then \$1,068 . . . with resistance anticipated at \$1,150, then \$1,168, and then \$1,226.

SILVER:

Monex spot silver prices opened the week at \$17.20 . . . traded as high as \$18.48 on Friday and as low as \$17.20 on Monday . . . and the Monex AM settlement price on Friday was \$18.46, up \$1.26 for the week. Silver support is now anticipated at \$18.20, then \$18.05, and then \$17.13 . . . and resistance anticipated at \$18.50, then \$18.71, and then \$19.43.

PLATINUM:

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Monex spot platinum prices opened the week at \$1,495. . . traded as high as \$1,574 on Friday and as low as \$1,495 on Monday . . . and the Monex AM settlement price on Friday was \$1,572, up \$77 for the week. Platinum support is now

anticipated at \$1,526, then \$1,464, and then \$1,369 . . . and resistance anticipated at \$1,576, then \$1,603, and then \$1,697.

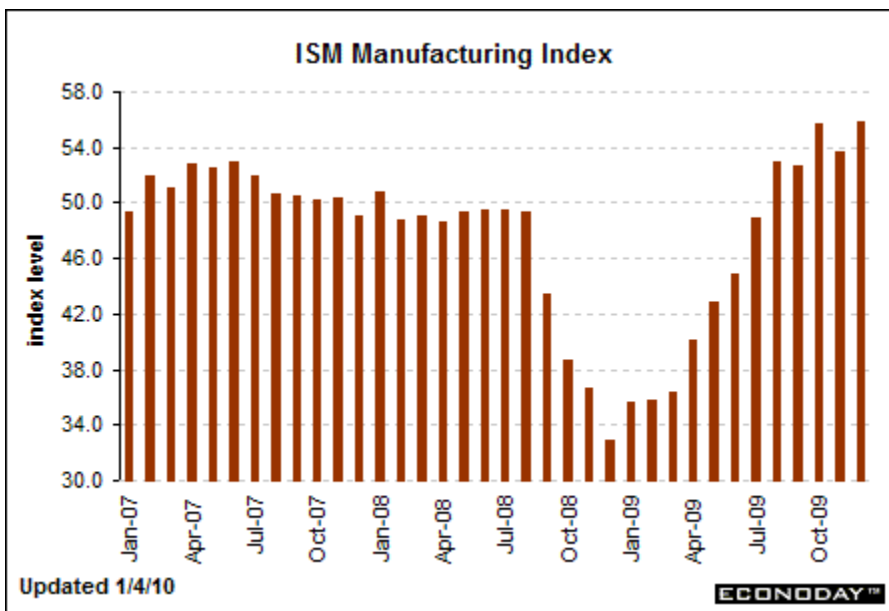
PALLADIUM:

Monex spot palladium prices opened the week at \$419 . . . traded as high as \$430 on Wednesday, Thursday and Friday and as low as \$419 on Monday and Tuesday . . . and the Monex AM settlement price on Friday was \$425, up \$6 for the week. Palladium support is now anticipated at \$418, then \$386, and then \$363 . . . and resistance anticipated at \$434, then \$451, and then \$477.

Conflicting Data

As I mentioned at the beginning of this email, the December economic data can paint a confusing picture as to where we are heading. Below are graphs of the major reports from last week, courtesy of Econoday via Bloomberg.com, showing that for every positive economic report you can find one equally negative.

The first chart is the ISM Manufacturing Index showing improvement:



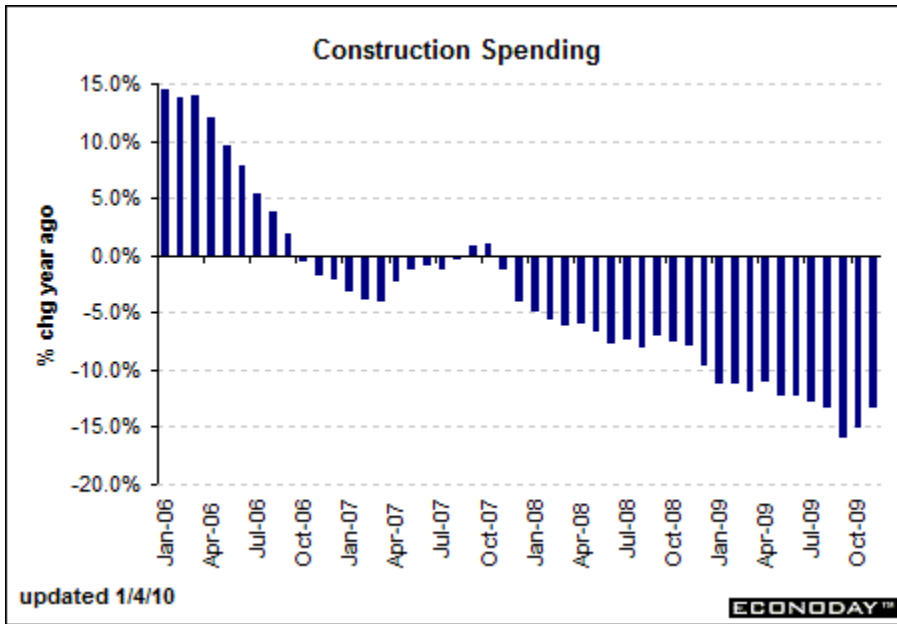
The next chart is for construction spending which is down:

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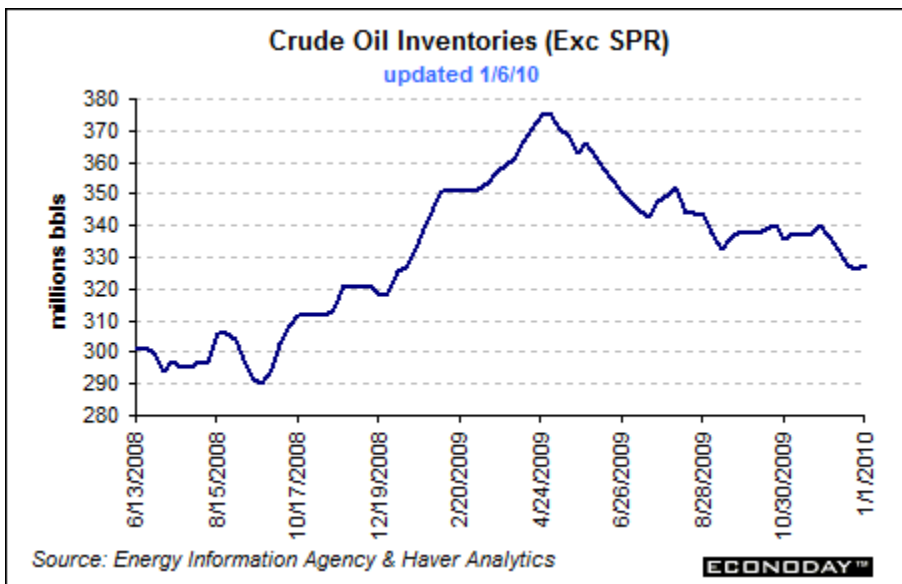
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Crude oil inventories are falling which is positive:



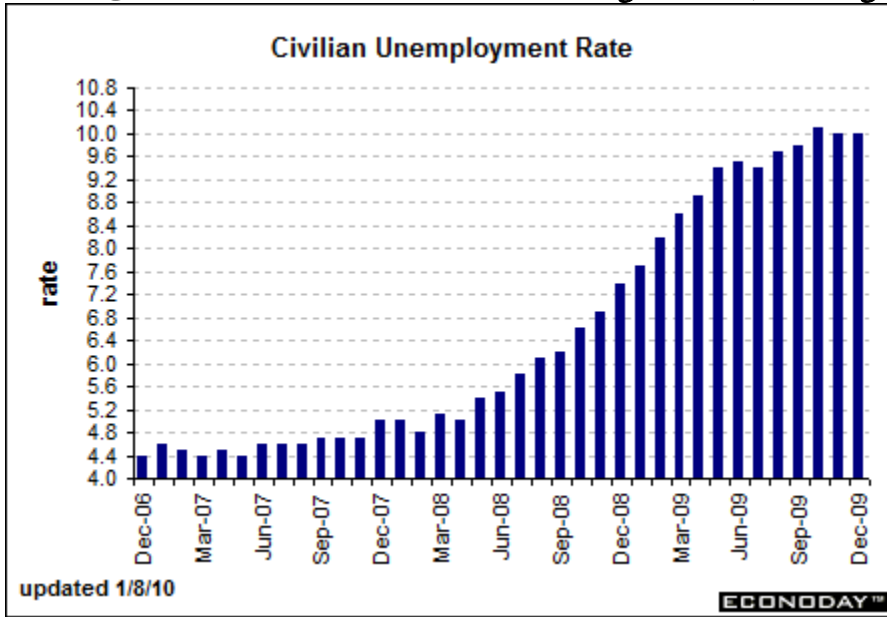
But unemployment is still rising:

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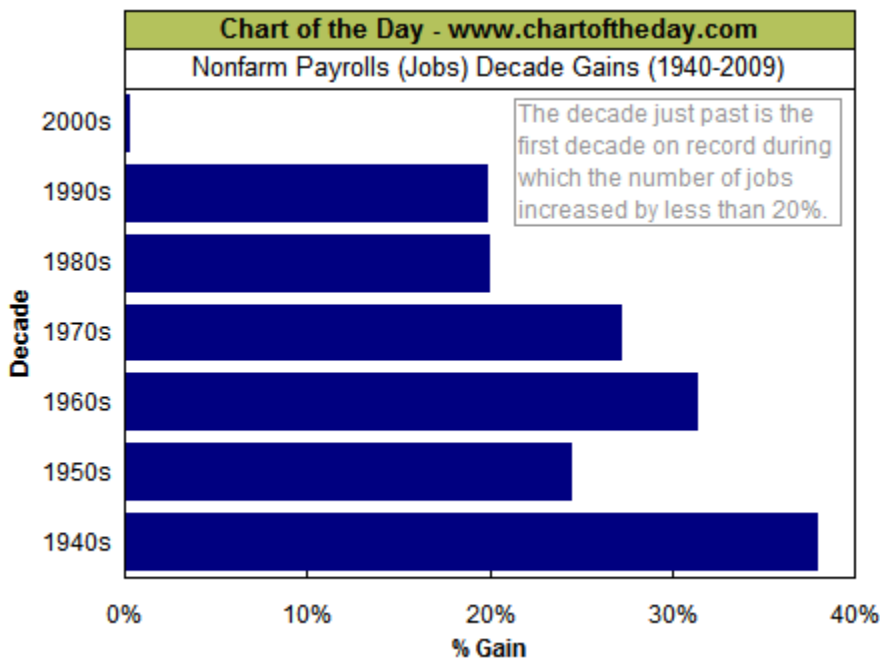
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So, what do you believe? How do you extrapolate conflicting data? Welcome to the 21st century. These next two charts are most telling and most disturbing; the first is from [Chart of the Day](#) and the second is from [Calculated Risk](#):



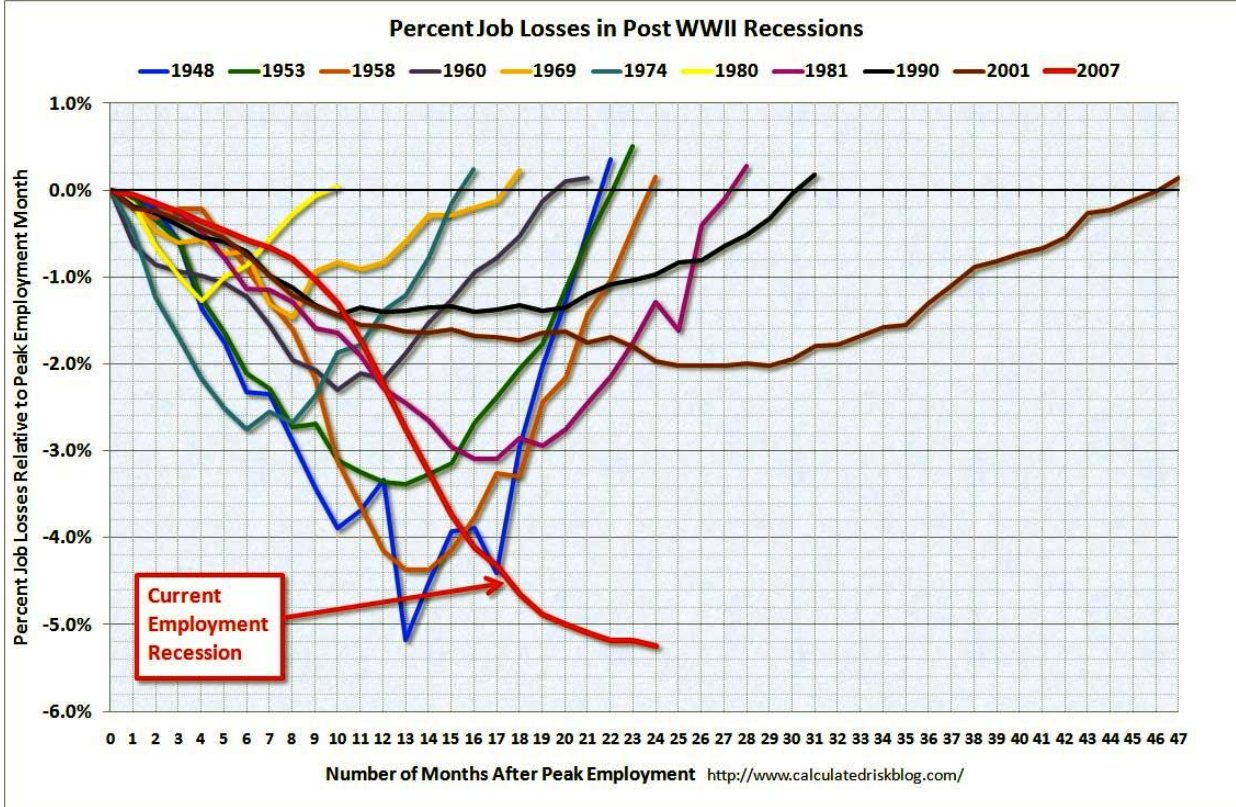
There was zero jobs growth in the last decade. To keep pace in this economy, we need to generate 125,000 jobs a month and 250,000 new jobs to drive down unemployment.

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This last chart shows that we are in the worst employment recession since the Great Depression. Despite the mainstream media promoting liquidity and financial stories of “green shoots” appearing everywhere, the broader data from the economy tells a different story.

I will stop here and let you digest this less than uplifting information.

Marvin

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