

The King Report

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“Independent View of the News”

An ex-BoJ chief economist’s call to end QQE and ugly US retail sales generated a 300-point DJIA decline in early trading on Wednesday.

The S&P 500 futures (Dec.) collapsed to 1831, down 43.80, eleven minutes after the NYSE open.

However, the mysterious force appeared eleven minutes after the NYSE open and engineered the ‘V’ bottom that has occurred repeatedly over the past several years when stocks were cascading. The SPZs bounced 30 handles in 21 minutes. Stocks were saved – for a while.

Rumors after the ‘V’ bottom included the Fed calling for an emergency meeting and coordinated central bank intervention in the yen/dollar and SPZs. Thank God for the CME’s central bank incentive program!

Did Buffett buy the dip? So far, Warren hasn’t bragged about buying since his October 2 foray.

September retail sales fell 0.3%, the first decline since January. -0.1% was expected. Ex-autos, retail sales fell 0.2%; +0.3% was expected. Ex-autos & gas, retail sales declined 0.1%; +0.4% was expected.

The Census Bureau: *Manufacturers’ and trade inventories* [August], *adjusted for seasonal variations but not for price changes, were estimated at an end-of-month level of \$1,752.3 billion, up 0.2 percent (±0.1%) from July 2014 and up 5.7 percent (±0.4%) from August 2013...*

http://www.census.gov/mtis/www/data/pdf/mtis_current.pdf

Apparently manufacturers got caught up in the hoopla over future economic growth – the expectation game. This irrational exuberance was evinced in the **rosy PMIs** of the late spring and summer.

The Depressing Signals the Markets Are Sending About the Global Economy

Long-Term Interest Rates Have Fallen in 2014

Commodity Prices Have Fallen Sharply Since Summer

How Much the Dollar Has Risen Against Other Currencies

Add it all up, and the markets aren’t betting on catastrophe per se; if they were, stock prices would be down more. But they are betting that central banks and other policy makers aren’t going to be able to get a handle on global deflationary forces that have been unleashed...

<http://www.nytimes.com/2014/10/16/upshot/the-depressing-signals-the-markets-are-sending-about-the-global-economy.html?smid=tw-share&r=0&abt=0002&abg=0>

Goldman’s Kris Dawsey: *In light of the disappointing September retail sales report and slower-than-expected inventory growth in August, we reduced our Q3 GDP tracking estimate by three-tenths to +3.2%. We also moved our Q4 GDP forecast down a quarter point to +3.0%.*

<http://www.zerohedge.com/news/2014-10-15/and-gdp-downgrades-begin-goldman-slashes-q3q4-gdp>

PPI declined 0.1% in September, the first decline since August 2013. +0.1% was expected. Ex-food and energy components, prices were unchanged’ +0.1% was expected.

The NY Fed's Empire Manufacturing index tanked to 6.17 in October from 27.54. 20.50 was expected.

The NY Fed: *The new orders index dropped nineteen points to -1.7, indicating a slight decline in orders, and the shipments index fell twenty-six points to 1.1, indicating that shipments were flat. The employment index rose seven points to 10.2, pointing to an increase in employment levels, while the average workweek index fell to a level just below zero, suggesting that hours worked held steady. Both price indexes fell this month—a sign that the pace of growth had moderated for input prices and selling prices. Indexes for the six-month outlook were somewhat lower than last month, but continued to convey a high degree of optimism about future business conditions...*

http://www.newyorkfed.org/survey/empire/empiresurvey_overview.html

Here's What Happened that Caused Greek Markets To Go Back Into Chaos

The Athens Stock Exchange is down 6.25% today, and 23.24% since January.

One of those factors is the seemingly unstopable rise of SYRIZA, Greece's anti-establishment and anti-austerity radicals. They're establishing a solid lead in the polls, and given the unpredictable nature of Greek politics, they could upset the market in a massive way.

But there's another major factor. Despite Greece's pretty grim economic state, Prime Minister Antonis Samaras wants to end the country's international bailout early, without taking the €8.2 billion (\$10.44 billion) still left in the package... <http://www.businessinsider.com/how-two-massive-political-crises-are-sending-greek-markets-back-into-chaos-2014-10>

The sharp decline in equities in October proves again that 'equities always get it last.' Commodities and credit were in decline for months. Bonds rallied sharply for months on softening global economics.

Steven Russolillo @srussolillo: ***S&P 500 took 262 days to gain 8.8% through September. It took just 26 days to wipe out that rally*** http://blogs.wsj.com/moneybeat/2014/10/15/live-blog-stocks-markets-set-for-another-plunge/#entry_66

The following purposefully-leaked Janet Yellen private comment from last weekend generated a robust Dead Cat Bounce yesterday afternoon.

Yellen Said to Voice Confidence in U.S. Economic Expansion [Released to save stocks?]

Janet Yellen voiced confidence in the durability of the U.S. economic expansion in the face of slowing global growth and turbulent financial markets at a closed-door meeting in Washington last weekend, according to two people familiar with her comments... Yellen told the Group of 30 that the economy looked to be on track to achieve growth of around 3 percent going forward...

<http://www.bloomberg.com/news/2014-10-15/yellen-said-to-voice-confidence-in-u-s-economic-expansion.html>

This refutes the FOMC Minutes Rally when stocks surged on the spin that because 'some' Fed members feared that European weakness would hurt the US economy, the Fed would delay rate hikes.

Michael S. Derby yesterday afternoon: *Dallas Fed Fisher tells Fox Biz the stock market blowout isn't bothering him much: Market selloff "doesn't mean the economy is in trouble."*

The Wednesday afternoon Dead Cat Bounce stalled when Wal-Mart cuts its FY2015 sales forecast to 2%-3% from 3%-5%. Who are you gonna believe, Wal-Mart or Fed academics?

The S&P 500 Index has fallen 9.84% from intraday high to intraday low. Perhaps the Dead Cat Bounce rally is due to traders covering shorts or going long because the index was near the magic 10% decline level, which conventional wisdom calls a 'correction.' A 20% decline is called a 'bear market.'

Today – Expiration is exerting downward pressure on stocks as traders are getting ‘gammaed to death’ on the downside. Manipulation to the upside occurs for most expirations. But once in a great while negative forces overwhelm upside manipulators and stunning declines appear... The DJTA is still the strongest index... NYSE volume of 6 billion shares yesterday was almost double the 2014 average. The stock market is extremely thin and extremely nervous. Any significant order will produce an exaggerated effect. Expiry will continue to exacerbate movements. If you must play, don’t get cute; VWAP orders and be cautious because sudden violent moves can appear at any time.

Barring unexpected bullish news or massive intervention, the supply of stocks at levels above current prices should be large. This is an unsavory consequence of significant declines; and unlike the large declines of the past five years, there is little hope of QE to save the day.

After the close Netflix reported Q3 earnings of .96; .91 was expected. But the company slashed its Q4 earnings estimate to .44 from .84 and said quarterly net subscriber additions (3.02 million) were below its forecast of 3.69 million. **NFLX tanked as much as 115 points (26%) in after-hour trading.** SPZs tumbled 9 handles in sympathy with NFLX, whose crash could weigh on trading sardines today.

eBay reported .68 (.67 exp.); but it cut its Q4 sales forecast to \$4.85-\$4.95B from \$5.16B. eBay declined as much as 4.5% in after-hours trading.

American Express posted Q3 profits of \$1.40; \$1.36 was expected. Revenues of \$8.33B are below the \$8.35B consensus. AXP declined one point in after-hours action.

There is still no hint of institutional manic selling or capitulation. This week’s action appears to be trader and hedge fund selling with exaggerated movements due to option expiration.

The next development is likely to be an increase in institutions holding investment committee meetings to review perceptions and beliefs about the economy and the stock market. Some will decide to become more defensive; some will decide to buy. It is unlikely that the media will publish headlines proclaiming ‘*Institutions to dump stocks*’ even though ‘some’ want to do so. The ‘some’ spun as ‘all’ is up for rallies.

Expected impact earnings: DAL 1.18, UNH 1.53, BHI 1.13, BAX 1.31, PM 1.33, GS 3.21, GWW 3.30, COF 1.94, SLB 1.46, GOOG 6.53

Expected economic data: Initial Jobless Claims 290k, Continuing 2.38m; Industrial Production 0.4%, Manufacturing Production 0.3%, Capacity Utilization 79%; Philly Fed 19.8; Fed officials Plosser, Lockhart, Kocherlakota (MN – Insanely dovish) and Bullard speak in the morning.

Lockheed says makes breakthrough on fusion energy project

Lockheed Martin Corp said on Wednesday it had made a technological breakthrough in developing a power source based on nuclear fusion, and the first reactors, small enough to fit on the back of a truck, could be ready for use in a decade... [Does ‘Peak Oil’ now refer to demand instead of supply?]

<http://www.reuters.com/article/2014/10/15/us-lockheed-fusion-idUSKCN0I41EM20141015>

U.S. health official allowed new Ebola patient on plane with slight fever

A second Texas nurse who has contracted Ebola told a U.S. health official she had a slight fever and was allowed to board a plane from Ohio to Texas, a federal source said on Wednesday, intensifying concerns about the U.S. response to the deadly virus... Vinson told the CDC her temperature was 99.5 Fahrenheit (37.5 Celsius). Since that was below the CDC's temperature threshold of 100.4F, "she was not told not to fly,"... <http://www.reuters.com/article/2014/10/16/us-health-ebola-usa-idUSKCN0I40UE20141016?f>

BN: Two Republicans Call on CDC Chief to Resign Amid Ebola Spread

Some congressional lawmakers, especially Republicans, have criticized the response of President Barack Obama's administration to the threat of Ebola spreading in the U.S., with some calling for a ban on travelers entering the country from West African nations where the disease is rampant...

The Hill: *House Democrats say lack of Ebola funding hearing is "unacceptable"* <http://ow.ly/COWZB>

Ebola is the 2014 election's October surprise

*Sensing the growing concern, President Obama canceled several fundraising and campaign events he had scheduled today in New Jersey and Connecticut to hold a meeting at the White House to coordinate the response to the latest Ebola news. It's also why **politicians are becoming increasingly vocal about a travel ban from the affected West African countries**; Thom Tillis (R) attacked North Carolina Sen. Kay Hagan (D) for not supporting just such a ban Wednesday morning...*

<http://www.washingtonpost.com/blogs/the-fix/wp/2014/10/15/ebola-is-the-2014-elections-october-surprise/>

Katie Pavlich @KatiePavlich: *67 percent of Americans support travel restrictions to and from #Ebola stricken countries* <http://ow.ly/CPISX>

Byron York yesterday afternoon: *WH spox Earnest: No need for Ebola air travel restrictions, because 'there is a multi-layered screening protocol that is in place...'*

White House scrambles to ease concerns over Ebola, lawmakers demand changes

<http://www.foxnews.com/politics/2014/10/15/white-house-scrambles-to-ease-concerns-over-ebola-lawmakers-demand-changes/>

No 10 seeks emergency brake on immigration

*David Cameron is considering demanding that Britain be given an "emergency brake" on the number of European jobseekers after promising MPs a "game-changing" new immigration policy... Under increasing pressure from Ukip's poll surge, however, Downing Street is now drawing up more radical options. **Immigration has become voters' most pressing concern, outstripping the economy and health in most polls**...* <http://www.thetimes.co.uk/tto/news/>

"The ultimate result of shielding men from the effects of folly is to fill the world with fools." -- Herbert Spencer