



Weekly Economic and Market Comment 11-27-11

The week ahead: A significant number of economic data reports will be released this week: The most important are:

- Tuesday, November 29: November U.S. Consumer Confidence will be released at 10:00am EST and is expected bounce to 43 from last month's 39.8.
- Wednesday, November 30: The Fed's "Beige" book describing the U.S. economy is released at 2:00pm EST. It gives an update on the state of the economy and is used by Fed officials as an input into policy at the next FOMC meeting (Tuesday, December 13)
- Thursday, December 1: November ISM manufacturing report will be released at 10am EST. It is expected to be a "sluggish" 51, close to last month's 50.8.
- Friday, December 2: The November employment report will be released at 8:30am EST and is expected to show payrolls increased by 118,000 jobs. This would support the notion that third quarter growth will be in the 2-3% area although the unemployment rate is likely to stay at 9%.

The Budget: Despite the failure of the "super committee" budget negotiations, I expect last year's payroll tax cut to be extended. There is also some likelihood that a small infrastructure package, some relief to small businesses and an extension of UI benefits will be passed before year end. These measures would be weakly supportive of the economy and equities.

Europe: Germany and France will push for more fiscal integration. A treaty that legislates such integration will take a long time to complete so they will try to push through a "stability pact" as quickly as possible. If this initiative convinces the ECB that Eurozone countries are serious about fiscal responsibility, the bank may be willing to be more aggressive in bridging country deficits by buying more sovereign loans.

On the negative side, the Italian and Spanish debt problems have been in the forefront of the crisis. But Portugal and Ireland still have massive debt problems as well.

Equities: The new stability pack initiative may be supportive of equities this week as will prospects of some limited U.S. action to continue stimulus that would otherwise expire. Moreover, U.S. consumer confidence and employment releases may also be supportive. However, the scope of European debt problems still looms large and will, in my opinion, limit any yearend rally. My S&P range for the three weeks is 1150-1250.