



## Weekly economic and market comment 10-02-11

**The week ahead:** The most important data points in the coming week are:

- Monday, October 3, 10am EDT: The national ISM number is expected to come in near 51, indicating flat to slight growth. I continue to think the economy will have positive growth this quarter.
- Tuesday, October 4, 10am EDT: Fed Chairman Bernanke will testify before Congress on the state of the economy. I expect his statement will adhere closely to the FOMC communiqué released on Wednesday, September 21. He will also reiterate that there are other ways for the Fed to be accommodative, but that fiscal policy is most important at this juncture.
- Wednesday, October 5, 8:15am, EDT: The ADP report previewing Friday's employment report will indicate continued slow growth in private payrolls.
- Wednesday, 10:00am, EDT: The non-Manufacturing ISM report will likely mirror Monday's ISM report, indicating slow growth, less than is needed to absorb the unemployed.
- Friday, October 7, 8:30am, EDT: The September employment report is expected to show a 50-80k increase in jobs.

**Economics:** Growth in the quarter just completed was probably near 1%, too slow to absorb many of the unemployed, but not yet at a recessionary level. I expect slow growth over the next few quarters, although growth in the first half of 2012 will depend on fiscal developments. I will publish my fiscal assumptions and forecast for the first half of 2012 in my monthly summary on Monday, October 10.

**Market:** European developments will continue to dominate the news moving the markets. Absent a surprise development in the U.S. this week, I expect stocks will have a downside bias but not break badly as it becomes clear that at least the next tranche of payments will be completed in two weeks as the rest of the 17 countries in the euro zone approve the second stage of the "bailout", even if reluctantly (especially in Slovakia). Micro fundamentals remain positive for stocks while the macro outlook is negative. The "technicals" look worse than my fundamental assessment which is why I think the market will have a downside bias.

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