

## **Tuesday may be the most important day of the year for financial markets.**

February 6, 2009

It is Sunday night as I am writing this, and probably Monday as you are reading it. Treasury Secretary Geithner was supposed to have presented the administration's latest bank rescue plan on Monday at high noon. But it has now been postponed until Tuesday, ostensibly to keep the focus on the Senate's economic bailout bill. If you believe that I know of a bridge in Brooklyn that Bernie Madoff would like to sell to you.

Let me offer the following qualification and disclaimer prior to making the rest of my comments. I have been trying to keep recent Ellumination's restricted to technical analysis of the markets. It is technical analysis that guides us in most of our decision making these days so that seems quite appropriate.

Besides, editorializing doesn't help much. Blowing off steam doesn't move the markets. So I have tried to avoid those things. But I am nothing if not a passionate man, and this administration, which I supported in the election, is already driving me nuts.

Let me tell you something that you probably already know. They aren't announcing until Tuesday because they don't have a plan that is finished. How tough is that to understand?

Besides, President Obama is already developing quite the reputation for being late. You may not have noticed, but we have. He is late for EVERY press conference he holds. We know because we are among those who sit and wait to watch him. Now we wait for Treasury Secretary to belatedly announce this plan. I have always found it hard to value the man who thinks his time more important than anyone else's, even the President of the United States.

Hey, want to contribute to productivity-be on time! Don't waste hundreds of people's time while they wait for you.

Not that it probably matters, because everything that we have read so far leads us to have very little faith that this latest chapter in "bailing out the banks" will make any significant difference.

Here is one of the latest "takes" on what is coming, from the New York Times,  
<http://www.nytimes.com/2009/02/09/business/09bailout.html?hp>

If the New York Times is at all correct, this is not likely to be the plan that will save the banks and save the economy. We probably need to let some of the big banks go. The simple truth is that we have WAY TOO MANY BANKS in this country. But that is a topic for an editorial itself. Besides, it WILL NOT HAPPEN. We have told you in the past that the "9" anointed banks will not be allowed to go under.

Here is the bottom line relative to the markets, and related to any announcement on Tuesday. If Secretary Geithner announces an end to "mark to market" accounting the U.S. stock market will rally another 15%, and global markets will follow. The S&P 500 will be over 1000 in a heartbeat.

The same could happen with the announcement of a major "revision" in current "mark to market" standards that the markets consider to be favorable. Not only would markets be likely to rally, but the rally would likely be sustainable.

This is not an editorial on whether "mark to market" should be repealed. It is just a head's up as to what is likely to happen if it is.

So far there is no indication in any publication that we can find that there will be such an announcement on Tuesday. But we are always trying to anticipate the unanticipated.

Besides, over the past several months Tuesday's have developed quite the reputation for being days on which the markets trade up, following Monday declines. They have become known as "turnaround Tuesday".

On the other hand, if the "plan" turns out to be similar to the description in the New York Times article we could see a rally that lasts two hours and then disappears.

We shall see. PK



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From time to time Krsek lists the simple annual returns of the six model accounts in this newsletter. These accounts are "models" and do not represent the actual results accruing to individual accounts. Simple annual return does not represent "time weighted return" as reported individually to clients in their quarterly reports prepared using Centerpiece.

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