



POTOMAC
STRATEGIC INVESTMENT SYSTEMS

CAPITOL MARKET SUMMARY

PSD's 60 SECOND MARKET SUMMARY FOR POLICYMAKERS

INSIDE THIS ISSUE: President Obama to Release \$300 Billion Jobs Plan – Will Lawmakers and White House Work Together? ... Asia and Eurozone Recovering ... Equities and Sovereigns Volatile ... Yahoo and Microsoft News ... BankAmerica ... Federal Reserve Releases “Beige Book” ... Wall Street Watching Republican Presidential Debate

**AT THE OPEN: SPX 1185 US10Y 2.02% Gold \$ 1819 Oil \$ 87.66
Wednesday – September 7, 2011**

OBAMA'S \$300 BILLION JOBS PLAN – Initial reaction from our Wall Street sources indicate that \$300 billion is a small amount to turn around this wounded battleship. More than anything, Wall Street is interested in Congressional reaction. If Republicans (or Democrats) pounce on this plan, it could cause markets to fall. If reaction is somewhat positive or considered an acceptable starting point, then it could have a positive market effect. Question – will lawmakers and White House work together or play politics?

ASIA AND EUROPE RECOVERED A BIT – In overnight trading Asian shares recovered as did Eurozone equities, the latter being buoyed by support from the German courts that rejected litigation challenging the constitutionality of the European bail fund; (the EFSF.) Euro leaders will now continue the process of drafting regulations and finally funding the EFSF.

EQUITIES AND SOVEREIGNS – It's a snap back day for equities, sovereigns, currencies and commodities all of which remain highly volatile as global markets lurch from one headline to the next. As stocks rallied, bonds, and commodities dropped. Equity shares with the largest losses today have the biggest gains, led by banks in trading indicative of short-covering rather than conviction buying. In traders lingo, stocks continue to be “rented” not “owned.”

YAHOO AND MICROSOFT – There are headlines moving individual shares. Carol Bartz was fired at Yahoo after a brief, but stormy tenure as she was unable to keep pace with internet rivals Google and Facebook. In spite of its enormous popularity on the web, Yahoo continues to lose ad revenue and search traffic. This in spite of a tie-in deal with Microsoft. Investors immediately speculated that the change in leadership might prompt further deals with Microsoft and other possible assets sales. Some analysts are calling for the sale of the entire company although it's a difficult company/brand to value.

BANK OF AMERICA – also announced it was parting ways with two key executives. Joe Price, head of consumer banking and Sallie Krawcheck, head of global wealth and investment management are both leaving the bank. Both Price and Krawcheck were



closely aligned with former CEO Ken Lewis. Price faced criticism over his role in the acquisition of Countrywide Financial and Krawcheck never connected with Merrill's legions of brokers and advisers. Observers noted that current CEO Moynihan faces daunting tasks ahead that may require stronger leadership.

FEDERAL RESERVE – Later today, the Federal Reserve will release its “Beige Book,” which is a compendium of statistics from all the regional banks. Economists will carefully read through the report for clues regarding manufacturing strength or weakness, labor costs, and consumer sentiment as other private reports have been flashing warning signs in these areas.

REPUBLICAN DEBATE – Later this evening, investors will watch the Republican debate to gauge whether the assent of Rick Perry is real. Political observers on Wall Street have been concerned that Mitt Romney has been running a stagnant campaign. And a number of Wall Street leaders and analysts have privately been hoping other candidates would enter the Presidential race.