

Florian Galler

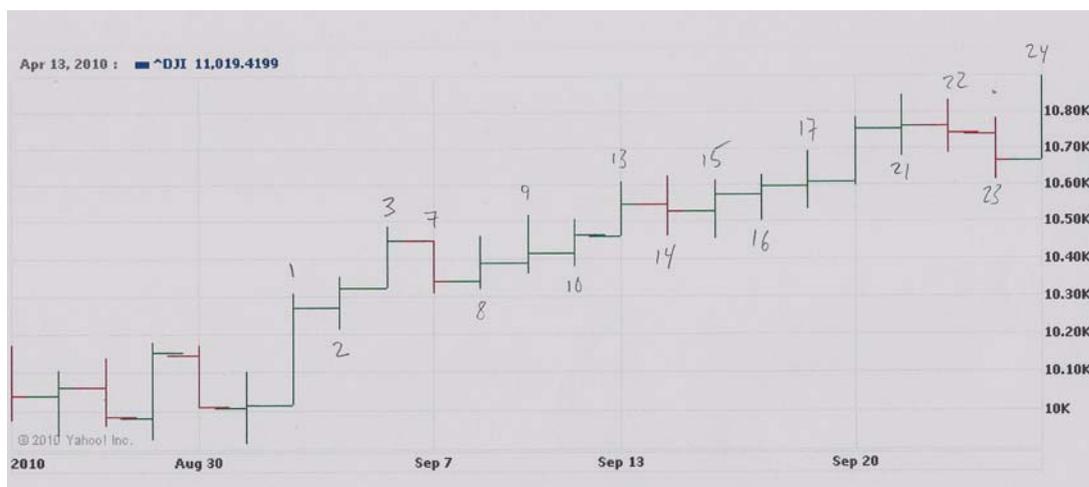
Psychonomic Newsletter, Sep 26, 2010

## Sep 10 - Sep 24

Overview on the development of the stock index Dow Jones Industrial Average: After a long ascent since Mar 06, 2009 stock prices peaked on Apr 26, 2010. The following downswing ended on Aug 30, 2010 and on Sep 1 an upswing began which is still in force today. In this newsletter we focus on the period from Sep 10 to Sep 24, 2010.



The following chart covers the last month. The handwritten dates should be helpful for the orientation while reading the newsletter.



Let's first look back to the factors responsible for the upswing since Sep 1. As you might remember from my last newsletter I had attributed that day's strong move to mainly 2 events: The declaration of the **end of the US combat role in Iraq** by Obama and **the opening of the**

**summit for direct Mideast peace talks in Washington.** On Sep 9 stock prices got a last boost during last newspaper's reporting period when Obama insisted that Bush-era **tax cuts be cut off for the wealthiest.**

For the next two weeks domestic political issues were mainly in the foreground. Stocks got a boost on the opening of the stock markets on Mon Sep 13, after House Minority Leader John Boehner said he'd support a plan to extend tax cuts only for middle-class earners, not the wealthy and after the Republican establishment worked to defeat the senate nomination of the Tea Party candidate Christine O'Donnell. In addition the world's major central banks on Sunday had agreed to new rules which would significantly increase the capital reserves of Banks.



*AP/Morry Gash*

### **Boehner says he'd support a middle-class tax cut**

*AP – 28 mins ago*

House Minority Leader John Boehner says he would vote for President Obama's plan to extend tax cuts only for middle-class earners, not the wealthy, if that were the only option available to House Republicans.

- **GOP tries to take out tea party-backed candidate**

*AP – Sun Sep 12, 1:43 pm ET*



*AP*

DOVER, Del. - Arms linked, Senate candidate Christine O'Donnell and her conservative backers kick up their heels and clap to the strains of an original song with lyrics befitting a tea party....

Not long after tea party-backed Joe Miller stunned Alaska GOP Sen. Lisa Murkowski, the Republican establishment is furiously trying to avoid a similar outcome in the Delaware primary on Tuesday. Republican leaders, top strategists and even the Delaware state GOP chairman have taken the unusual step of openly working to defeat O'Donnell and ensure the nomination of their preferred candidate, nine-term Rep. Mike Castle....

## **Global banking rules aim to balance safety, growth**

*AP – Mon Sep 13*



BASEL, Switzerland - Banks will have to significantly increase their capital reserves under rules endorsed Sunday by the world's major central banks, which are trying to prevent another financial collapse without impeding the fragile economic recovery.



The upswing of stock prices got interrupted (but not reversed) for the next 3 days after the GOP establishment back pedaled on 2 issues: On extending a tax cut only for the middle class and not for the rich and on not giving support to O'Donnell. Her win in the Delaware nomination contest gave an impression of an irresistible Tea Party dynamic and in a first moment also should have exerted a negative influence on stock prices. In addition a dispute with Israel over settlement expansion was threatening to derail Mideast peace talks. This had already begun on Sunday and may have contributed to a negative development of stock prices since Tuesday:

- **Israeli PM: Current settlement curbs won't remain**

AP – Sun Sep 12



AP

JERUSALEM - Israeli Prime Minister Benjamin Netanyahu said Sunday the current restrictions on West Bank settlements will not remain in place, though there will still be some limits on construction.



AP/J. Scott Applewhite (photo shows Senate Minority Leader Mitch McConnell, center)

## **Senate Republicans say they'll block tax increase**

AP – Sep 13 06:27 pm

President Barack Obama's plan to raise taxes on wealthier people while preserving cuts for everyone else appears increasingly likely to founder before Election Day.

WASHINGTON – President Barack Obama's plan to raise taxes on wealthier people while preserving cuts for everyone else appears increasingly likely to founder before Election Day.

Senate GOP leaders declared on Monday that Republicans are, to a person, opposed to legislation that would extend only middle-class tax relief — which Obama has repeatedly promised to deliver — if Democrats follow through on plans to let tax rates rise for the wealthiest Americans. The GOP senators forcefully made their case one day after House Republican leader John Boehner suggested he might vote for Obama's plan if that ends up the only option...



AP/Rob

## **Big night for tea party: O'Donnell wins Delaware**

Virtually unknown a month ago, Christine O'Donnell rode a surge of support from tea party activists to victory in Delaware's Republican Senate primary Tuesday night, dealing yet another setback to the GOP establishment in a campaign season full of them. A second insurgent trailed narrowly in a long, late count for the GOP nomination in New Hampshire.

yahoo News Sep 15 04:10 pm ET

### **National GOP now says it'll back O'Donnell**

By United Press International The National Republican Senatorial Committee did a 180-degree turn Wednesday, saying it would help Tea Party-backed Christine **O'Donnell** in the general election. Christine **O'Donnell** - Republican - National Republican Senatorial Committee - Delaware - Politics

**UPI - 1 hour, 57 minutes ago**

O'Donnell's win was able to overshadow in the first moment the negative consequences involved with it namely that it probably wiped out the republican hopes that they could retake the US Senate. In addition the gyrations of the GOP establishment pointed to hidden insecurities of these people. These factors probably prevented stock prices from falling after O'Donnell's big win.

### **O'Donnell Scores Huge Upset in Delaware**

*CQPolitics.com – Tue Sep 14, 9:19 pm ET*

Christine O'Donnell and the Tea Party Express shocked the Republican establishment in Washington and Delaware alike Tuesday night, winning the First State's GOP Senate primary and **effectively ensuring the seat will remain in Democratic hands come November**. [Full Story »](#)



Wed Sep 15, 4:06 PM ET

Supporters of U.S. Senate Tea Party candidate Christine O'Donnell watch poll results come on September 14 in Delaware. President Barack Obama's Republican foes on Wednesday picked over the results of a **shock Tea Party primary win that, analysts said, all but wiped out their thin hopes of retaking the US Senate.** (AFP/Getty Images/File/Mark Wilson)

Stuart Carlson, Sep 16



 GOCOMICS.

GET A LAUGH!

Jack Ohman, Sep 15

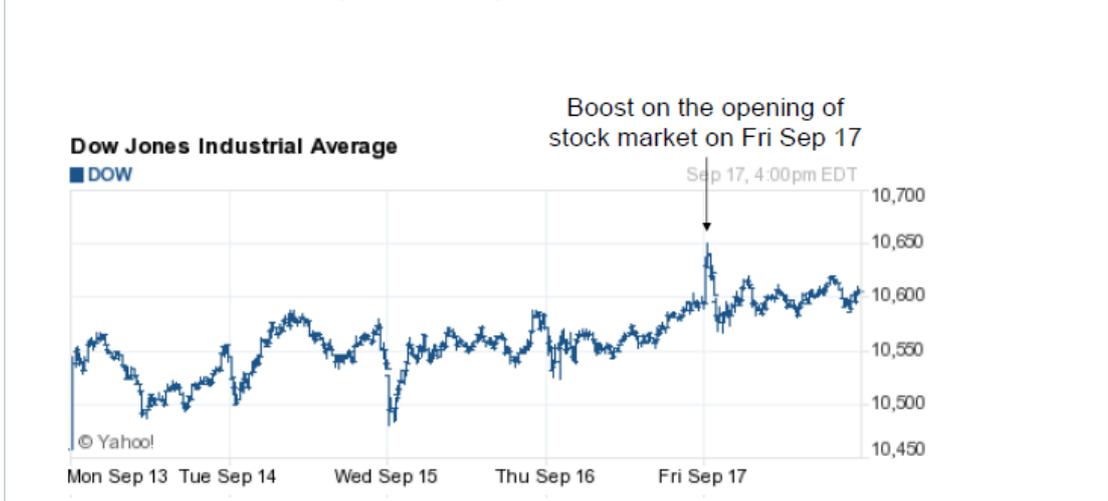


On the opening of the stock markets on Sep 17 stock prices got boosted after Obama had charged Elizabeth Warren, one of the country's fiercest advocates for the middle class, on the evening of Sep 16 with forming the new Consumer Financial Protection agency:

**White House and Warren: kicking the can down the road?**

President Obama will announce on Friday that he is creating an advisory role for Elizabeth Warren. Washington (CNN) - **Is President Obama delaying an inevitable confrontation with his progressive base over Elizabeth Warren? Progressive activists welcomed news that the president is creating a role for Warren that will allow her to set up the new [...]**

**CNN Political Ticker - Sep 16 06:57pm**

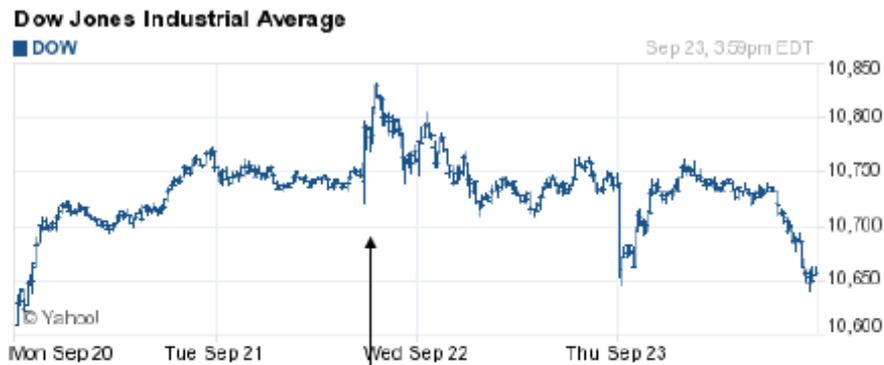


When it was announced on Sep 21 that Larry Summers, the free-market oriented director of the National Economic Council, would leave that post stocks reacted in a similar way:

### **Larry Summers to leave White House in Nov.: report**

SAN FRANCISCO (MarketWatch) -- Larry **Summers**, director of the White House's National Economic Council, is expected **to leave** that post in November, Bloomberg News reported Tuesday, citing three unidentified people close **to** the matter. **Summers** has already discussed his future plans with President Barack Obama, according **to** one of the sources cited by Bloomberg. **Summers'** departure would **leave** ...

**Market Watch - Sep 21 01:32pm**



I interpret the appointment of Warren and Summers' leave as the expression of the inability of Big Business to behave in a reasonable way and to say good bye to bad neoliberal habits. Although the Obama administration tried to preserve the free market economy Big Business nevertheless favored the GOP, the party of no and did not distance from the fundamentalistic free market ideology of the tea party movement.

Tony Auth, Sep 22



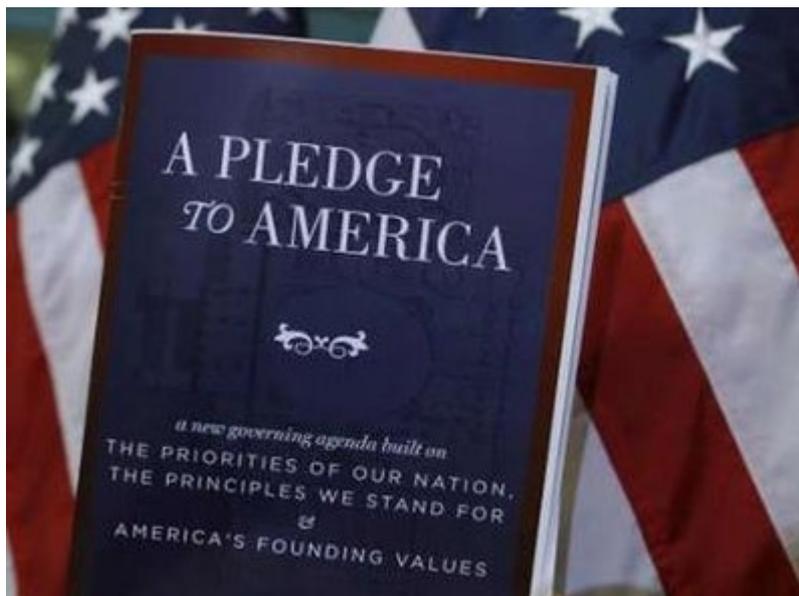
9-22-10 THE PHILADELPHIA INQUIRER. UNIVERSAL UCLICK.

 GOCOMICS.

GET A LAUGH!

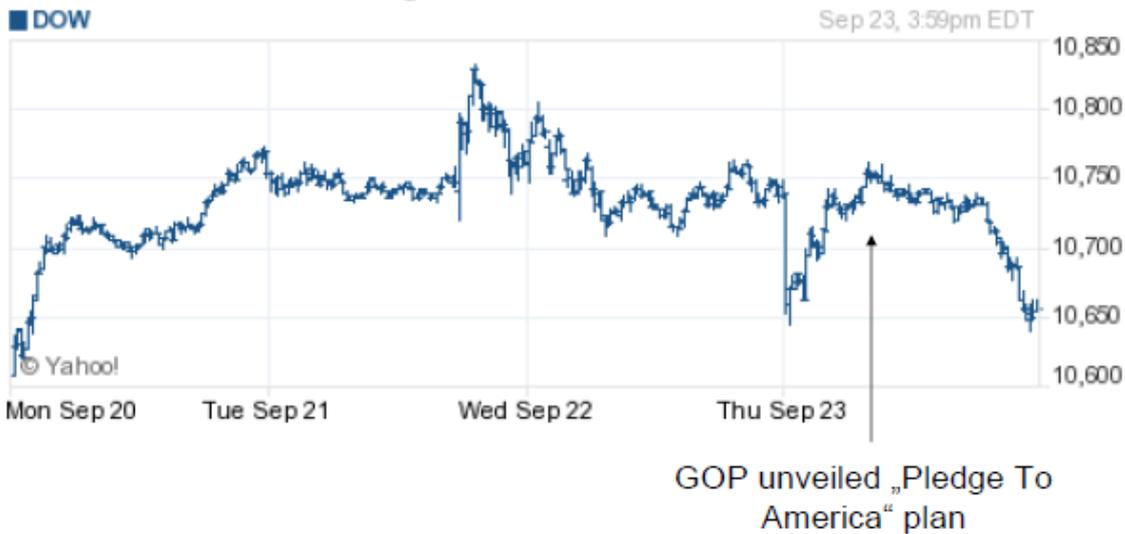
The Democrats cannot survive politically by supporting pronounced free market positions if Big Business is not giving a hand to resolving urgent social problems. Therefore the administration had to look for support on the left in order to preserve a reasonable change from the past neoliberal and neoconservative politics. Stock markets were able to understand this and reacted favorably to it.

When House Republicans unveiled their "**Pledge to America**" plan in the morning of Sep 23, stock prices immediately reacted in a negative way to this plan which prompted Paul Krugman to the saying: "**Banana republic, here we come**"



REUTERS Thu Sep 23, 10:19 AM ET

## Dow Jones Industrial Average



## Downhill With the G.O.P.

By [PAUL KRUGMAN](#)

Published: September 23, 2010, NYTimes

Once upon a time, a Latin American political party promised to help motorists save money on gasoline. How? By building highways that ran only downhill.

I've always liked that story, but the truth is that the party received hardly any votes. And that means that the joke is really on us. For these days one of America's two great political parties routinely makes equally nonsensical promises. Never mind the war on terror, the party's main concern seems to be the war on arithmetic. And this party has a better than even chance of retaking at least one house of Congress this November.

Banana republic, here we come...

In my eyes the situation is dangerous on the one hand if the Tea party dynamic can not be broken. Another serious problems are the Israeli settlements in East-Jerusalem on the West Bank. On the other hand there are good signs that people get aware more and more the costs connected with the Tea Party fundamentalism.

Let me at the end of my newsletter point to some signs of hope. First I want to point to a performance of Lady Gaga. While the fundamentalists experience any progressive development and extension of the helping and supporting aspect of state as an impurity, she was able to challenge this view in her performance:

## Gaga slams U.S. military gay ban

*AP Video*

*Published Tuesday, Sep. 21, 2010 9:12AM EDT*

Pop star 'Lady Gaga' visited Portland, Maine, Monday on the eve of a key Senate vote to urge the state's two U.S. senators to help repeal the military's 'don't ask, don't tell' policy on gays.

**Transcript of parts of her performance:** "Doesn't it seem that don't ask don't tell is backwards? Doesn't it seem based on the constitution of the United States that we're penalizing the wrong soldier. Doesn't it seem to you that we should send home the prejudice, the straight soldier who hates the gay soldier..."

I was not aware of this ambiguity in our constitution. I thought the constitution was ultimate. I thought equality was non negotiable"

And here some more good news which I only list without any commentary:

### **Murkowski Launches Write-In Bid**

*CQPolitics.com – Fri Sep 17, 11:14 pm ET*

The Alaska Senate race grew more interesting Friday night as GOP Sen. Lisa Murkowski announced she is launching a write-in campaign for re-election -- a last-ditch effort to retain the seat she's held since being appointed by her father, former Gov. Frank Murkowski, in 2002. [Full Story »](#)



**AP** Associated Press Sun Sep 19, 11:19 AM ET

FILE - In this March 1, 2010, file photo President Barack Obama shakes hands with Colin Powell, founding chairman of The America's Promise Alliance Education, after he spoke about education at the U.S. Chamber of Commerce in Washington. A moderate Republican who endorsed Barack Obama in 2008, Powell said Sunday, Sept. 19, 2010, that the president's critics should be going after him on policy, not 'nonsense.' (AP Photo/Charles Dharapak, File)

## [Israel FM clarifies 'land swap' proposal](#)

*AFP – Mon Sep 20, 9:48 am ET*



*AFP*

PRAGUE (AFP) - Israeli Foreign Minister Avigdor Lieberman said in Prague on Monday that his plan to push for swapping territories for people in peace talks with Palestinians was his "personal view," not his government's position.

## [Senate GOP Opts To Leave Murkowski in Committee Post](#)

*CQPolitics.com – Wed Sep 22*

Senate Republicans on Wednesday decided against ousting Alaska's Lisa Murkowski as their party leader on the Energy and Natural Resources Committee, despite their dismay at her decision to launch a write-in campaign after losing the GOP primary election. [Full Story »](#)

## [Calif group airs anti-tea party ad in Times Square](#)

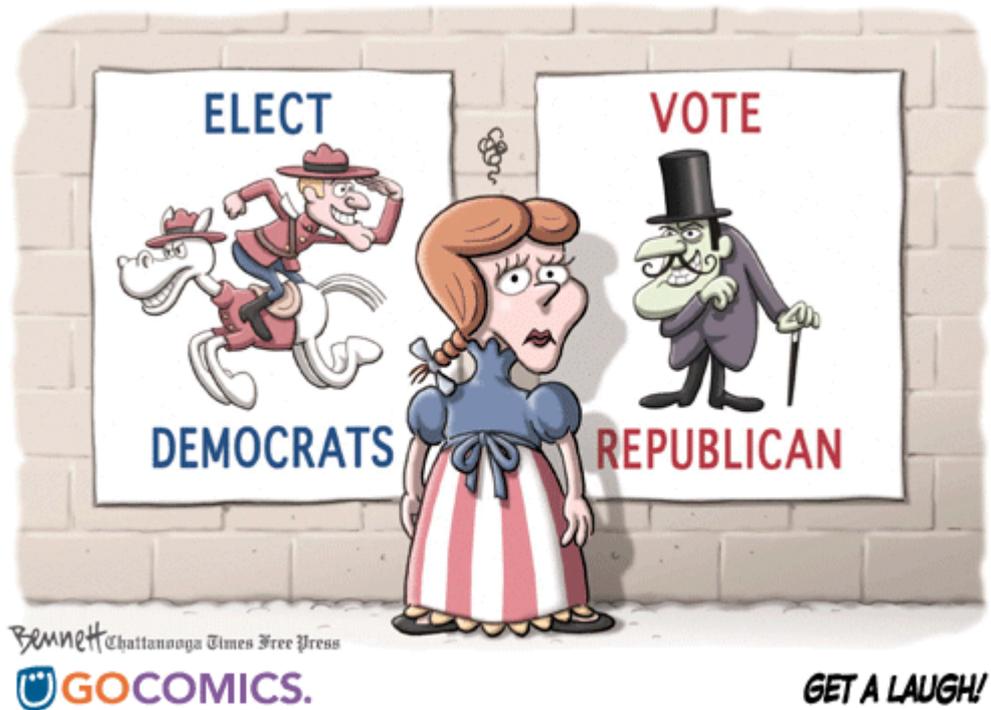
*AP – Wed Sep 22*

NEW YORK - A California consumer-advocacy group is hoping to rally the left before the November election with an ad on a Times Square video screen that labels the tea party movement as "insane."

*CQPolitics.com – Thu Sep 23*

The Senate on Thursday rejected a GOP effort to block regulations designed to make it easier for some transportation workers to unionize

Clay Bennett, Sep 24



### [Q&A: Lisa Murkowski on Alaska's Republican Senate Race](#)

*Time.com – Fri Sep 24*

The Alaska Senator and write-in candidate talks to TIME about why she thinks Tea Party darling Joe Miller isn't right for her home state -- or good for her party

### [AP-GfK Poll: Dems disliked, but so is GOP](#)

*AP – Fri Sep 24, 10:05 am ET*



*AFP/Getty Images*

WASHINGTON - If anyone is scorned as much as Democrats these days, it's Republicans -- the party that may recapture the House and perhaps the Senate in November's elections