

www.go-ccf.com
566 W. Lake Street, Suite 3-W, Chicago, IL 60661
Gary S. Meyers, President
GMeyers@CommercialCorpFinance.com
Direct: 847-580-4260 Private Fax: 847-557-1260
Commercial Corp Finance,
D/B/A of Gary Meyers Realty, Inc., founded 1977.
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THE MEYERS REPORT Economic Notes

Ear to the Ground Forecast Market conditions suggest 2013 will not be happy for Bank of America.

"We expect that BofA will emerge from 2013 as only a shadow of its present self," said one national banking expert. "Look for them to be eviscerated as they shed themselves of some large units, including Merrill-Lynch. They could be only a shadow of what they are today."

The reason: One trillion dollars in liabilities stemming from their residential failed mortgage company, Countrywide. Currently, the Fed is repurchasing the mortgage back securities (\$40-45 billion per month) of Countrywide's bad loans. But the Fed is requiring that BofA to sell Merrill Lynch, other assets as a means of ridding itself of the Countrywide liability.

FED Doubling Down On Lower Interest Rates On Friday, the Fed released some significant money numbers. Bank reserves, after allowance for reserves that banks keep with the Fed, soared in November. The banking system transmits these reserves into more conventional measures of money as well as into spending. Unfortunately, data for bank loans and investments show the banking system remains under a fair amount of stress due to regulatory burdens and are not making the loans and investments that would meaningfully expand the economy.

Worse yet, the Fed is creating an environment of artificially low interest rates. While it does keep the cost of federal borrowing down temporarily, it delays when market forces take over and rates jump significantly, along with inflation. Higher interest rates and higher inflation are inevitable. The problem is that politicians and the Fed are using this method to "kick the can down the road," yet again.

H For decades we've seen braille on drive-through ATMs on the driver's side of the vehicle and might have wondered who is *driving and in need of braille*. But the other day I saw this handicapped license plate on a car. (Remember, there is a wheelchair symbol to the left before the number.) Well, this plate identification to the right had in all capital letters: **B L I N D**

Case in point ...

Challenges: Bring long-term money to a rural market in south central Missouri when all national lenders looked away from this and other tertiary markets. The only capital available was short-term from local banks. Worse yet for the borrower, most all of the banks were at their lending limits, or were out of meaningful lendable funds, but \$18.3 million was needed.

CCF Action: After four rejections by HUD, CCF and their correspondent, CCF used detailed market research and reason, was able to prove that the market had powerful hidden strength that not only justified the loan, but also showed financial opportunity.

Conclusion: CCF closed the \$18.3 million non-recourse, multi-family apartment loan with a rate of 3.1%, fixed for 35 years. CCF didn't take no for an answer.

BOTTOM LINE
Call CCF 224-715-5555.

THE MEYERS REPORT

by Gary S. Meyers and Robert Genetski, Ph. D.

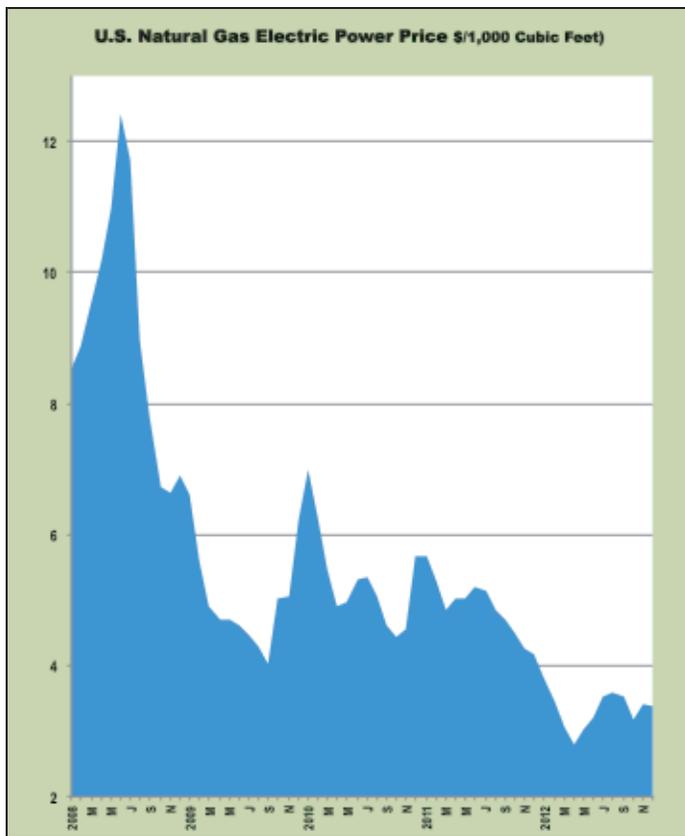
The Promised Land?

For the first time ever, we are looking at a new movie to be released on December 28th. *The Promised Land*, starring Matt Damon, who also was supposed to be the director, but Damon turned it over to Gus Van Sant. *The Promised Land*, has a clearly "anti-fracking" theme. It opposes our getting at natural gas supplies that can make our country energy independent and do it cleanly. In 2000, only 1% of our natural gas came from shale; today it is 30%, and the price is cheap and getting cheaper—cheaper than nuclear power. In 1996, the US produced only 0.3 trillion cubic feet of shale gas. By 2011, we were producing 7.8 trillion cu. ft. The graph at the right shows the price of US natural gas from 2008 through 2012.

Natural gas also is clean. Yes, we do need to develop alternative renewable energy sources, such as solar and wind, but those technologies need time to mature, but in the meantime, we cannot afford to wait.

This is not only impacting the US, but also the UK and Europe, all of which need more and cheaper available domestic fuel sources of their own. As of December 13, 2012, the UK has approved the development of their shale natural gas resources using fracking technology. Not only can the gas be used for power plants and heating, in a liquefied form it also can replace gasoline for many vehicles. Reducing energy dependence also has the impact of reducing the power of Middle East oil producing countries on the rest of the world.

Next week: Responsible Fiscal Policy—A review of one European leader who, while heavily criticized, had courage to do the right thing; and how his nation is benefiting today.



The Results: Fracking and the natural gas produced from it has come of age over the last five years. Despite the regulatory battles and government roadblocks, private industry has found a way. The results are simple: hundreds of thousands of jobs that private industry produced and lower home gas prices—all of which government and misguided environmentalists fought. And, there have been no catastrophies. Data Source: US Department of Energy Graphic: The Meyers Report

The bottom line. Who would benefit most from the US, the UK and Europe not achieving energy self-sufficiency? Maybe the Middle Eastern oil countries.
Question: Who is financing *The Promised Land*?
Answer: AD Media, a company that is wholly by the government of the United Arab Emirates.
Question for Matt Damon: Just whose side are you on?

Robert Genetski's Weekly Financial Update & Stock Impact Gauge

	Fundamental	Actual	Immediate Outlook
Fixed-income: 10-yr Treas.	5.0	1.73	relatively stable
Equities: S&P 500	2000	1419	slight bias to downside
Equities: Dow Jones	16,000	13,171	slight bias to downside

Market Outlook For the second consecutive week stock prices were essentially unchanged. While the overall market retains its positive cross (the 10-day average above the 50-day), other major indexes show either a positive or negative cross. The NASDAQ crossed up on Wednesday and back down on Thursday. With the recent return of relative stability to stock prices, such crosses become less meaningful as an indicator of market momentum.

From a strictly technical standpoint, market psychology is neutral. However, my inclination is to shade to the defensive side of neutral. This is due to my view that a failure to reach a compromise on tax hikes will make investors progressively more concerned as the end of the year approaches.

In spite of little change in stock prices, longer-term interest rates moved higher. Momentum is now in an upward direction for corporate bond rates. As the chart above shows, rates on 10-year T-Notes have also begun moving higher in spite of the Fed's efforts to hold them down.

Any upward momentum in long-term rates is a source of concern. This is particularly true if the increase is not accompanied by higher stock prices and signs of a stronger economy. Even so, there have been false surges in rates before. Hence, the immediate outlook for longer-term rates remains one of relative stability.

Note I will be appearing on Fox News' Special Report with Bret Baier this week at 6 pm ET. He is doing a 5 part series all week on government spending and will be using some of my comments during various segments. Please watch.

Also, I once again have the honor of being nominated for an award as one of the top speakers in the fields of Economics & Finance. To receive the honor I would like your help. Please take a minute and go to <http://www.speaking.com/top5> scroll down to the Economics/Finance area, vote for me, scroll down to the end of the page and fill in your name, email and click submit. Thanks in advance for help.

Stock Valuation	8.0
Short-term Monetary Policy	7.0
Psychology	4.9
Short-term Econ Fundamentals	3.0

Ratings for forces impacting stocks 10 is best
— means no change
> change for better
< the other direction