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Commercial Corp Finance,
D/B/A of Gary Meyers Realty, Inc., founded 1977.
Provides Real Estate Consulting and Lending Service.

Issue date: March 19, 2012

THE MEYERS REPORT

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

THE MEYERS REPORT Economic Notes

Reader Question

Bob and Gary,

I hate to sound uniformed, but just how does the Fed "pump" money into bank reserves? Is that loan loss reserves or some kind of capital?

T. H., Banker, IL

Dear T. H,

The Fed is the only entity with the power to purchase things without having any money. The Fed usually purchases financial assets, such as government debt. It does so by essentially writing a check. The seller deposits the Fed's check in their bank. The bank then presents the check to the Fed for payment. Since the Fed is the bankers' bank, it simply credits the bank's account with the Fed for the amount of the check. Bank deposits with the Fed are referred to as bank reserves. The Fed has unlimited power to purchase just about anything and pay for it in this way.

There is a crucial difference between purchases by the Fed and those by everyone else. When the rest of us buy anything, we do it with funds that were earned while creating goods and services. The Fed's purchases come out of thin air. The funds do not represent earnings from the production of anything. This is why bank reserves are so important. They represent the first step in the monetary process.

Bob and Gary

HUMOR

Banks lend billions to Third World countries, but for us they chain down pens.

I found out I have all the money that I'll ever need. . . if I die tomorrow.

How much deeper would the ocean be without sponges?

Doctor-Patient Confidentiality May Die

The Patient Protection and Affordable Care Act of 2010 sounds like a great idea. What could be wrong with making health care better—except the unintended consequences when a plan is not thought out. In this case, we could eliminate doctor-patient privacy protections.

Imagine, "as your family pediatrician, I am not supposed to tell you if your 13 year old daughter is pregnant or having some medical procedure," said Illinois-based Arie Friedman, M.D. and expert on the new pending medical laws. "However, a data miner, or even your neighbor, will likely be able to get this information on the internet, along with your daughter's social security number, and yours, your whole family's and a raft of other private medical and financial information—all of which appear in your medical and insurance records."

According to the act, within two years, the Secretary of Health and Human Services, shall ensure that, any federally conducted or supported health care or public health program, activity or survey (including Current Population Surveys and American Community Surveys conducted by the Bureau of Labor Statistics and the Bureau of the Census) collects and reports—data on race, ethnicity, sex, primary language, and disability status for applicants, recipients, or participants and any other demographic data as deemed appropriate by the Secretary regarding health disparities.

Then the Secretary will share it the following agencies and their employees, including the:

1. Office of Minority Health;
2. National Center on Minority Health and Health Disparities;
3. Agency for Healthcare Research and Quality;
4. Centers for Disease Control and Prevention;
5. Centers for Medicare & Medicaid Services;
6. Indian Health Service and epidemiology centers funded under the Indian Health Care Improvement Act;
7. Office of Rural health;
8. other agencies within the Department of Health and Human Services; and
9. other entities as determined appropriate by the Secretary, and
10. Any private citizen or company who files a "Freedom of Information Act request."

It gets even more intrusive. In addition to the data listed above, the Act authorizes the Secretary of Health and Human Services to obtain any additional information whatsoever, if it fulfills the purpose of investigating "health disparities." Nowhere in this section is there an actual definition of "health disparities."

There are no barriers here. "One can only begin to get a picture of the limitlessness of this mandate," said Friedman. "Anything that was considered private between physician and patient is completely at risk. There will be financial incentives here—for people to pry. Insurance companies will want the data, along with marketing companies, employers, nosy neighbors—and of course the crooks."

With all the incentives and the number of people with access, does anyone really believe that their lives will remain private? The question is, why are we really doing this?

Update of Review of 2011 Forecasts

In our January 3, 2012, newsletter we reviewed we did with our forecasts made on December 27, 2010. There were two items that had not been determined. Now we know the results for those too. With our 2011 forecasts, we ended with a record of 9 on target, 3 misses and 1 sorta. Need a copy of the January 3rd newsletter? Email us and we will send you a copy with our compliments.

Forecast: "The recession will be over and the GDP will gain by 3.00% or more."
Result: The fourth quarter GDP hit 3.0%.

Forecast: "Inflation generally will stay at under 3.00% for most of the year."
Result: 12-mo. total CPI for 2011 was 3.1% and core inflation was 2.23%.

Robert Genetski's Weekly Financial Update & Stock Impact Gauge

	Fundamental	Actual	Immediate Outlook
Fixed-income: 10-yr Treas.	5.0	2.28	heading higher
Equities: S&P 500	2000	1403	heading higher
Equities: Dow Jones	16,000	13,253	heading higher

Economic news continues to point to a pickup in the pace of business activity. In response to the news, long-term interest rates moved sharply higher. As the impact of the Fed's substantial increase in bank reserves filters through to the economy, there is a likelihood of further additional increases in interest rates.

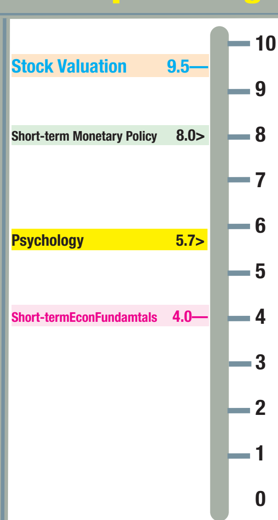
Market Outlook Stock prices recovered from last week's setback with major indexes up roughly 3% to new highs. The only exception was the overall market which registered a gain of just over 1½%.

The rebound after a brief pause is an encouraging sign. As noted above, the overall market is in the middle of an upward sloping channel. Trading volume has resumed a more positive pattern with slightly higher volume on days where the market was rising. These factors contribute to a more positive investor psychology. As a result, the odds continue to favor further gains in the period ahead.

Further signs of a faster pace of business activity sent longer-term interest rates sharply higher. The yield on the 10-year Treasury Note increased by more than ¼ of a percentage point. This is the first time since October that rates have moved significantly above 2%.

A sharp rise in long-term rates is indicative of what to expect amid signs of a faster pace of economic activity. Fed policy has held all interest rates well below normal levels. This creates the potential for extremely sharp increases in rates.

It would be unusual for interest rates to continue higher without some backsliding. Nonetheless, likely signs of a further pickup in business activity mean the odds have shifted. They now point to further increases in longer-term interest rates in the period ahead.



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