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Congress may have finally received the news from China that they have been waiting for. After threatening for 5 years to implement tariffs on Chinese exports being sold in America, the Chinese government surprisingly announced on Saturday (6/19/10) that it is ready to abandon a fixed exchange rate of its currency (the renminbi) with the US dollar. Congress has long maintained that the renminbi is undervalued by as much as 40%, providing an unfair advantage to Chinese exporters and a financial headwind for US exporters. The timing of China's statement was not lost on US trade officials as it comes just 1 week before the G20 summit in Toronto. Ironically as late as 24 hours before their policy reversal, China had insisted its fixed exchange rate did not have anything to do with global economic imbalances and that Washington was trying to deflect blame from itself for the world's financial problems (source: BTN Research).

The House and Senate conference committee that is hammering out the final legislation on financial regulatory reform is down to a final 2 weeks to complete its lawmaking work. Committee Chairman Barney Frank intends to have the bill to Congress before its July 4th recess (source: House).

The Fed will hold a 2-day meeting beginning tomorrow (6/22/10). The Fed funds future market is priced to reflect only a 5% chance that the Fed will raise short-term rates from near zero today to 0.75% by September 2010. The Fed, under Chairman Ben Bernanke, last raised rates on 6/29/06 or 4 years ago (source: Federal Reserve).

Notable Numbers for the Week:

1. **BIG BUSINESS** - 38 publicly-held US companies produced at least **\$1 billion of sales per week** in 2009, down from 40 companies that accomplished the feat in 2008 and 43 companies in 2007 (source: Fortune).
2. **STOCKS DOWN, BONDS UP** - Since 1976, the S&P 500 has had a **negative total return** in 7 separate calendar years. **In each of the 7 years** when the stock index was down, the bond market (using the Barclays Aggregate bond index as the benchmark) produced a **positive total return**. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the US stock market. The Barclays Aggregate bond index uses 6,000 publicly traded government and corporate bonds with an average maturity of 10 years in its calculation (source: BTN Research).
3. **BIG SPENDER** - The US government is projected to spend **\$3.72 trillion** during the current 2010 fiscal year, equal to \$1 billion of government spending **every 2 hours 21 minutes** (source: Treasury Department).
4. **BANKS** - Although more **banks have failed** YTD in the USA as of 6/18/10 (83 banks) compared to the number of failures (51) over the 8 years of 2001-08, the 83 failures represents **just 1%** of all insured banks (source: FDIC).

Regards,

Victor J. Melfa III

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