

<b>S&amp;P 500 INDEX</b> 1161.79 -26.25 (-2.2%) Stocks hammered by global worries	<b>DOW JONES IND.</b> 11,257.55 -236.17 (-2.1%) All 30 issues fall; BofA slides 4%	<b>NYSE VOL. (MIL)</b> 873 +3 (+0.3%) Preholiday trade up but below average	<b>NASDAQ</b> 2460.08 -61.2 (-2.4%) Sixth straight loss; closes under 2500	<b>NASDAQ VOL. (MIL)</b> 1,693 -76 (-4.3%) Losers lead winners by almost 6-1 ratio	<b>10-YEAR T-NOTE</b> 1.88% -0.05 (-2.6%) Record-low yields for seven-year notes	<b>DOLLAR-YEN</b> 77.32 +0.38 (+0.5%) Safe-haven appeal boosts greenback	<b>EURO</b> 1.3342 -0.0166 (-1.2%) German debt auction draws weak demand	<b>REUTERS CRB FUT.</b> 306.73 -4.20 (-1.4%) Natgas bucks slide in energy complex
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# INVESTOR'S BUSINESS DAILY

VOL. 28, NO. 160 WWW.INVESTORS.COM FRIDAY, NOVEMBER 25, 2011 \$2.00

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## IBD'S TOP 10

### Stocks Fall Again On Europe

The Nasdaq fell 2.4% and the S&P 500 2.2%, the 6th straight retreat for both. Nasdaq volume fell ahead of the Thanksgiving holiday; NYSE trade edged up. A failed German debt sale along with disappointing Chinese and European factory data set the tone. Wall St. banks sold off on looming stress tests and European jitters. The 10-year Treasury yield fell 5 ticks to 1.88%. **More on this page**

### German Bund Auction Fails

As the crisis starts to hit Europe's top economy, just \$5 bil in the \$8 bil auction sold. Belgian rates soared to 5.55% amid talk that Belgium wants France to pay more of Dexia's bank bailout. Fitch joined Moody's in saying France's AAA rating is at risk. France said Germany is blocking the European Central Bank from being a lender of last resort. Germany again nixed big ECB debt buys or euro zone bonds. **More on this page**

### China, Europe Factories Falter

The HSBC manufacturing index fell 3 points in Nov. to 48, a 32-month low, signaling slower growth for the world's No. 2 economy. Beijing may gradually ease credit curbs. Meantime, Markit's Nov. euro zone manufacturing gauge fell 0.7 point to 46.4, the lowest since July '09 and more evidence of a double-dip recession. Also, Sept. industrial orders fell by the most since Dec. '08. **More on this page**

### Durable Goods Orders Slide

Oct.'s 0.7% fall wasn't as bad as feared, while big-ticket demand ex transportation unexpectedly rose 0.7%. But Sept. durables orders were revised down. Core capital goods orders, a proxy for business investment, fell 1.8%, erasing most of the prior 2 months' gains. Also, new jobless claims last week rose 2,000 to 393,000, still below 400,000.

### Income, Saving Bounce Back

Oct. personal income rose 0.4% and real disposable income grew for the first time in 4 months. Spending rose just 0.1%, lifting the savings after sinking to a near-4-year low in Sept. The data offered good and bad news for stores ahead of Black Friday. **See Vital Signs on A2**

### Russia Riled By Missile Shield

Pres. Dmitry Medvedev threatened to target U.S. missile shield installations in Europe if Washington doesn't assuage fears they're meant to counter Russia's nuclear arsenal. The White House and NATO insist the underdevelopment system wards off Iranian threats. Medvedev didn't say if the missiles he would deploy near Poland would carry nukes. The Kremlin threatened to pull out of the New START arms treaty.

### Egyptians Defy Military Rule

Cairo violence continued as protesters denounced an offer by ruling generals under which they would not cede power to civilians until July. The military originally vowed to turn over control within 6 months of Hosni Mubarak's Feb. ouster. Clashes between security forces and protesters have killed 32 and hurt more than 2,000, the gov't said. The unrest may disrupt a parliamentary election Mon.

### Yemen Dictator Finally Ousted

After 10 months of violent protests and clashes with gov't troops, authoritarian Pres. Ali Abdullah Saleh agreed to step down after 33 years. The U.S. and its Gulf allies arranged the deal, which grants Saleh immunity. Yemen is the 4th Arab nation to topple its leader this year after Tunisia, Egypt and Libya. Yemen's unrest enabled al-Qaida to flourish there.

### Farmers Boost Deere's EPS

The farm and construction equipment giant's Q4 EPS rose 51% to \$1.62, beating estimates by 19 cents. Sales grew 20% to \$8.6 bil, above views, due to strong demand from the agriculture sector. Deere expects strong crop prices to keep demand strong, though analysts said it will have to deal with rising steel and administrative costs. Shares rose 4%.

### Nokia Siemens Cuts 17,000

The No. 2 mobile equipment company will lay off 23% of its largely European workforce, saving \$1.35 bil a year. Nokia Siemens Networks has struggled to turn a profit since the joint venture's '07 creation by top cellphone maker Nokia and electronics giant Siemens. NSN says it wants to go public; analysts say the cuts may precede an IPO. Nokia shares fell 2%. Siemens lost 3%.



**NATIONAL GUARD MEMBER Teigh Jae Delancett greets her son Trey in Marietta, Ga., on Wednesday as she arrives home from a year-long tour in Iraq. The mother and son had also blown each other a kiss when she was deployed. U.S. soldiers are marking their last Thanksgiving holiday in Iraq.**

## Hard Landing Fears Hit China's Economy

### Key Factory Index Tumbles

Shift from inflation fight to easing will be modest, most analysts predict

BY REINHARDT KRAUSE  
INVESTOR'S BUSINESS DAILY

China's industrial activity slowed sharply in November fueling speculation that Beijing may act more forcefully to head off a hard landing for its economy.

HSBC's purchasing managers' index fell three points in November to 48, the lowest since March 2009. The production component fell to 46.7 from 51.4.

Despite the sharp drop, the consensus among analysts is that Beijing will gradually foster easier credit and liquidity rather than relax bank reserve requirements or cut benchmark interest rates. Europe's debt crisis and likely return to recession is a wild card, though.

"Western investors are anxious for China to ease monetary policy, but top policymakers (do not) feel any such sense of urgency," said Donald Straszheim, senior managing director at China Research ISI Group. "China's economy is far from trouble-free, but Beijing's No. 1 worry is the economic and policy dysfunction in Europe and how much damage it causes China."

A Chinese hard landing would mean sub-8% GDP growth in 2012, still the envy of the world.

But officials fear that could fuel social unrest just as a huge transfer of political power takes place.

As a sign of growing hard landing fears, China's central bank on Wednesday reported the first currency capital outflow since October 2007. That indicates a slowdown in direct foreign investment and speculative hot money into China, says BMO Capital analyst Andrew Busch.

The World Bank on Tuesday forecast that China's growth would slip to 8.4% in 2012 from an estimated 9% this year, with "risks tilted to the downside." Chinese Vice Premier Wang Qishan recently said that a "global economic recession caused by the international financial crisis will be chronic," according to the state-run news agency.

One-fifth of China's exports go to Europe. In October, China's export growth slowed to 16% vs. a year earlier, down from 18% in September and 24.5% in August.

"Aside from the euro zone, the key risk facing the Chinese economy is an unexpectedly sharp drop in the property market," said IHS Global Insight analyst Alistair Thornton.

### Property Market Cooling

Beijing's credit curbs seem to have reined in a bubbly property sector. In October, home prices fell in 33 of 70 cities surveyed, according to government data.

A fast-cooling property market, with slowing investments in public housing, has started to

drag on related sectors, such as steel and cement, says Nomura analyst Zhiwei Zhang. That's one factor behind the PMI's steep drop, Zhang says.

Globally, China's falling appetite for commodities has pummeled prices for copper, nickel, and paper pulp.

Debt-burdened local governments are pressuring Beijing to ease monetary policy, fearful that slowing exports could hike unemployment and spur unrest, analysts say.

Andy Rothman, analyst at CLSA Capital Markets, expects Beijing to directly funnel cash to indebted cities and provinces instead of encouraging bank loans.

"Unemployed migrant workers would make (Beijing) nervous about social stability, so another fiscal stimulus, proportionate in size to the number of layoffs, is coming," he wrote in a report. "The money will be spent on accelerated construction of water and environmental projects."

China's inflation fell to 5.5% in October from 6.5% in July, giving room to ease monetary policy, says Straszheim.

The central bank began hiking bank reserve requirements in 2009. On Wednesday, it said the requirement would revert to 16% from 16.5% for 20 rural cooperative banks.

"I am not sure yet whether there is an easing rather than just a leveling off (in policy)," said Edwin Truman, a former assistant U.S. Treasury secretary.

## THE BIG PICTURE

# Germany's Debt Flop Torpedoes Stocks

BY DAVID SAITO-CHUNG  
INVESTOR'S BUSINESS DAILY

The S&P 500 and Nasdaq dropped a sixth straight session Wednesday, the longest slump since late July, ahead of the Thanksgiving holiday.

The U.S. market fell out of bed at the open on news that a German government debt auction sold just two-thirds of its bonds available. It was reportedly the worst debt sale for the cornerstone of the European economy since the EU's formation.

That was not all. Data showing a contraction in private sector activity in the EU and a dive in Chinese manufacturing in November overshadowed relatively harmless U.S. economic reports.

The NYSE composite slid 2.5%, the Nasdaq 2.4% and the S&P 500 2.2%. All three closed at their session lows.

Volume edged slightly higher on the Big Board and shrank a bit on the Nasdaq. But turnover remained below average as the equity market closes Thursday and will be open half a day Friday.

The Russell 2000, a benchmark for small caps, sank 3.1%. Every stock in the IBD 50 declined.

Losers exceeded winners on

## MARKET PULSE

**Wednesday's action:**  
Broad sell-off, mixed trade

**Current outlook:**  
Market in correction

**Leaders down in volume:**  
Fusion-io<sup>FIO</sup>  
World Fuel<sup>INT</sup>  
Accretive Health<sup>AH</sup>  
Visa<sup>V</sup>  
Spreadtrum<sup>SPRD</sup>  
MercadoLibre<sup>MELI</sup>

the NYSE by nearly a 7-1 ratio. As the How's The Market? on Page B2 shows, the NYSE advance-decline line continues to sink fast. With more stocks falling than rising, the chances of making money are too thin.

The market began running into trouble on Nov. 1. That day, the Nasdaq chalked up a third day of distribution, or intense institutional selling. The S&P 500 and the NYSE logged two straight big drops in accelerating volume.

Such negative action triggered a change in IBD's Market Pulse to "upend under pressure." The market recouped some losses, but also suffered more distribution. On Nov. 18, the outlook was downgraded again to "market in correction," which means it's a

poor time to be buying stocks.

In a strong market, new issues help fuel the upside. That hasn't been the case these days. As of Wednesday's IBD, the ratio of new issues vs. stocks in the NYSE has fallen to a 12-month low of 5.1%. That's still higher than the five-year low of 0.7%, registered in July 2009. Yet it's been rough sledding for most IPOs.

Groupon<sup>GRPN</sup>, which dropped 15% Tuesday, fell 16% more on Wednesday to 16.96, below its IPO price of 20. The online daily deals firm has awesome revenue growth (up 915% in Q2, up 426% in Q3) but lost 61 cents a share last year. A true market leader has both strong sales and earnings.

The only thing growing these days, it seems, is pessimism over Europe. Duke Business School Professor Cam Harvey, who is also a research associate at the National Bureau of Economic Research, sees Germany facing a "lose-lose situation." Why? If the EU dismantles, it's a big hit to German exports. If the EU survives, Germany will have to bankroll debt. That's bad for bunds.

Bullishness among pundits tracked by Investors Intelligence continues to swing. On Wednesday it remained at 47.4%, up from 34% in early October.

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A DAY AT INVESTORS.COM/MARKETS

## Debt Crisis Spreads To Safe-Haven Germany

### Bund Auction Flops Badly

Berlin may pick up tab for the region ultimately, making investors nervous

BY JASON MA  
AND SCOTT STODDARD  
INVESTOR'S BUSINESS DAILY

The euro zone's biggest, strongest domino wobbled as a German bond sale failed, adding pressure on northern European leaders who reiterated their opposition to wider central bank intervention.

At a record-low 2% 10-year yield, investors only bought \$5 billion in a planned \$8 billion bund sale Wednesday. Germany said the failed auction doesn't mean Europe's No. 1 economy will have refinancing problems.

But some analysts saw it as a sign that markets are starting to price in the possibility Germany will have to back other countries' debt significantly, one way or another, to save the euro.

German bunds traded lower in the secondary market, with the yield going back above 2% for the first time this month.

U.S. stocks sold off on the growing euro zone crisis as well as weaker European and Chinese manufacturing data. The Nasdaq fell 2.4% and the S&P 500 2.2%.

Chancellor Angela Merkel has urged even closer integration as a long-term solution. But she wants to stop Greece, Italy and others from racking up debt rather than Germans paying their bills.

Marc Chandler, global head of currency strategy at Brown Brothers Harriman, expects the euro zone to remain intact, with Germany likely leading a fiscal union.

"Self-interest is the glue," he told IBD. "I don't think it's in anybody's interest to have a North-South Europe."

Meantime, reports that Belgium is pushing Paris to shoulder more of the bailout of failed lender Dexia sent the 10-year Belgian yield soaring 46 basis points to 5.55%. That also added to worries about France's AAA rating. Fitch joined Moody's in saying France's top rating is in doubt. Both countries plan debt sales next week.

The European Central Bank continued buying debt from Italy and Spain to try to keep yields from climbing to more unsustainable rates. But they rose anyway, along with yields of (for now) AAA-rated France and Austria.

Despite the deteriorating situation, the political divide is as strong as ever.

France's finance minister said German opposition is a big reason why the ECB is unable to be a lender of last resort. Merkel again rejected bigger central bank bond purchases. She also repeated her objections to common euro zone bonds as the European Commission presented options for jointly issued debt. Dutch Finance Minister Jan Kees De Jager also dismissed the euro bond idea.

"We have to do first things first, and that means establishing strict supervision and enforcement of budget discipline," he said.

But ECB bond buying is being seen as the only way to prevent a crisis that seems to be getting worse at an accelerating pace.

"The stresses are continuing to build," said Josh Feinman, global chief economist at Deutsche Bank's institutional asset management arm. "If they want to preserve the monetary union and avoid possible debt defaults, a banking crisis and deep recession... the ECB has got to step up in a major way and start buying these bonds."

But conditions may have to get worse before they get better, Chandler predicted.

"A crisis has to be deeper and more severe to get over some ideological hurdles," he said. "Are we there yet? Not quite."

