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Inside this issue

CNBC & The Fed

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(I will be interviewed live on CNBC this Wednesday at 11:05am)

It's Fed time again! Hard to believe six weeks have passed in what feels like the longest market year in history. As with the last meeting, I expect Bernanke & Co. to accommodate the masses by leaving interest rates exactly where they are today, unchanged.

That action, or lack thereof, is what's priced into the markets and the Bernanke-led Fed has not disappointed this year. I do, however, expect at least a few dissenters from the group who want to begin the tightening cycle by raising rates 1/4%.

And frankly, while I don't think 1/4% hike would mean much, it's not what
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the system really needs right now with the dollar continuing to firm, commodities under serious pressure and the specter of inflation beginning to abate. Some of the economic numbers may be improving or coming in better than expected, but this economy has a LONG way to go before it's considered stable or growing significantly again.

Back in January when the masses were screaming that the economy was falling off a cliff, I disagreed and thought the government would throw just about everything they could at it during a presidential election year to keep it afloat. I did not then and do not now believe we will see two consecutive quarters of negative GDP growth in 2008.

The Band-Aids and duct tape should hold on until we see who our next president will be. It's that person who has the greatest risk of an economic calamity. Now don't get me wrong. It's plenty crummy out there and I also do not believe we are headed for greener pastures any time soon, but the government (any administration) has a unique and curious behavioral pattern every four years.

Getting back to the Fed, most people are eagerly awaiting the comments that are released immediately after the decision to hint at what and when the next move will be. I continue to believe that rates will stay right where they are until after the November election.

Perhaps more importantly, the pundits will try and decipher each and every word, comparing it to previous statements for clues as to what was added or removed. Since it's fairly easy to make the case for slightly higher or lower rates, keeping them here certainly makes sense. You can bet that Bernanke will include a few statements regarding the uptick in inflation as well as the continuing credit crisis, which is deflationary.

This Time Is Different...Not!

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Compared to the last few months, the financial markets have been relatively quiet lately, but clearly all is still not rosy. I've discussed the low that was made on July 15, with many of the hallmarks of a significant bottom, but I am unimpressed so far with the behavior since then. Maybe I am just getting picky, but I would have thought more price appreciation and volume would seen by now in addition to some much needed leadership rotation.
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If you have been bored by the stock market, which is pretty hard to believe, then you must be enjoying the wild swings in the commodity markets, something we've discussed many times this year. It wasn't long ago when \$200 oil was considered a done deal by the masses and now we're close to \$100. While \$100 is still pretty bad, it's a far cry from almost \$150 last month.

I remember being interviewed on CNBC (click here to watch) and arguing that when the pundits start saying, "this time is different", that market is close to an historic extreme and about to reverse. Whether it's eyeballs over earnings or peak oil or no documentation loans, it's never really different! Human nature just doesn't change.

Energy led the entire commodity boom on the way up and is leading it on the way down. Rallies have become selling opportunities and I expect that to continue for some time, even though we should see one more scare where people start calling for new highs again.

I'll have more on the financial markets in my next update, but I wanted to briefly touch on them before the Fed meets.

As is typically the case with Fed days, you can expect at least one rally attempt in stocks during the morning before the very light volume, choppy action sets in leading up to the 2:15 announcement. Of particular interest for me is the behavior of the transportation sector, which did not respond well to energy falling apart.

Lastly, Cisco System reports earnings after the bell on Tuesday and that's always a very important tech proxy to watch. Their CEO John Chambers

Heritage Capital In The Connecticut Post

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Spinoff on horizon for General Electric

PAM DAWKINS
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The day before announcing second-quarter earnings, General Electric Co. said a spinoff is its "primary focus" for its century-old appliance, lighting and electrical distribution businesses.

A spinoff would create a new, publicly traded company, with existing GE shareholders receiving a piece of the new business.

"They're among our oldest businesses," spokesman Jeffrey DeMarrais said Thursday. Together, they accounted for about 6 percent of Fairfield-based GE's 2007 revenues of $173 billion, he said; segment profits were about $1 billion.

"This is another step in transitioning the portfolio," DeMarrais said, referring to the company's previous decisions to sell off certain businesses, such as plastics, while acquiring others in higher-growth industries. Since 2003, DeMarrais said, the company has sold $50 billion in assets, and bought $80 billion. Infrastructure, he said, continues to be "an incredibly performing unit" for GE; health care is also a growth segment.

Jeff Immelt, GE's chairman and chief executive officer, talked about the possible spinoff in an April discussion with analysts, he added.

In a news release, Immelt described a spinoff as the "fastest, most efficient step we could take in completing the transformation of our Industrial portfolio This is consistent with the strategy we have been executing to transform the GE portfolio for long-term growth and makes sense for GE shareholders."

DeMarrais said the company will make a decision about the spinoff in 2009, but added GE isn't ruling out a sale.

The electrical distribution business includes circuit breakers and uninterruptable power supplies. Electric motors and generators, ranging from the tiny to those creating 100,000 horsepower, are also part of the segment.

GE introduced its light bulb in 1879; its appliance business, which DeMarrais said consisted of "a full line of heating and cooking devices," came out in 1907. The motors and electrical distribution products have been part of GE since 1892, DeMarrais said.

The segment's 55,000 employees - 32,000 in North America, 16,000 in Europe and 7,000 in Asia - represent approximately 17 percent of GE's total employment.

There are 350 consumer and industrial workers at a site in Plainville, the only state facility for the segment. In August 2007, GE announced plans to shut down the manufacturing portion of this plant in September 2008, laying off

57 production workers. Of those workers, DeMarrais said Thursday, 80 percent accepted early retirement and the rest will be laid off, with a severance package. "They're clearly testing the waters ahead of earnings," said Paul Schatz, president of Heritage Capital, about Thursday's announcement.

The company, Schatz said, doesn't want a repeat of April's surprise announcement of a drop in profits. For its first quarter, GE reported net earnings of $4.3 billion, down 6 percent from the first quarter of 2007. "I do not expect anything like we saw last time," Schatz said when asked what GE's earnings will show today. The chances of an upside surprise are better than a downside surprise, he added.

Schatz said he finds the focus on spinning off the businesses interesting.

"The landscape for spinoffs isn't that wonderful," he said, adding, "I don't believe GE needs to raise capital."

Schatz called the move "shortsighted," because in the next housing boom, the appliance and lighting businesses will benefit from years of pent-up demand.

Robert Cornell, an analyst with Lehman Brothers, said the appliance and lighting businesses were among the most profitable when GE sold to small stores and had pricing power. But these days, about five big retail chains control most U.S. sales. As a result, GE and other suppliers have lost their pricing power.

While the spinoff of the unit may put pressure on next year's earnings, "the potential upside is a refocused and vital company sooner, a scenario we endorse," Cornell wrote.

The announcement was not a surprise, and stems from GE's poor earnings in the first quarter, said Dean Dray of Goldman Sachs Group Inc. A spinoff avoids taxes associated with selling the appliance business, he said.

"We also believe GE could still pursue a sale of the standalone appliances, with today's announcement potentially creating a sense of urgency among potential bidders for this legacy consumer asset," Dray wrote in his report.

Dray said he does not consider the spinoff plan to be a catalyst for GE's stock. Weak credit and consumer markets and the effects of potential divestitures will likely keep earnings "flattish" through 2009, he wrote.

GE, Schatz said, is now a company that's in line with the market, not outperforming it.

"To me, when you buy GE, you're buying a proxy for the overall market," he said. "It's a fine, core holding [stock], but it's not going to be a world beater."

GE's shares closed up 45 cents to $27.64 in trading Thursday, near the low end of its 52-week average of between $26.15 and $42.15.

The Associated Press contributed to this report.

Heritage Capital In The Connecticut Post

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In tough times, watch out for scams and for surprises on your bill

Your 401(k) plan has been shot full of holes. You're worried about your job. With gas prices topping $4 a gallon, you'll have to spend your vacation rediscovering your backyard.

At times like these, it's more important than ever to be on the lookout for scams designed to exploit fear and desperation. Here's a look at some of the latest swindles:

·**Oil- and gas-drilling schemes.** With the price of oil topping $140 a barrel, it's no surprise that con artists are pumping out energy-related scams. Along with shady oil and gas schemes, swindlers are promoting investments in energy-efficient technologies, says Karen Tyler, president of the North American Securities Administrators Association.

Before investing in any venture, ask the promoter for a prospectus, which provides financial data on the company. Check with your state attorney general and the Securities and Exchange Commission to see if the person has drawn complaints from consumers or regulators, says Steve Weisman, author of *The Truth About Avoiding Scams*.

"All too often," he says, "the people who are scamming you have scammed others before you, and there are complaints against them."
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·**Mileage boosters.** As gas prices have soared, consumers have been inundated with ads for additives and gadgets that will purportedly enhance their vehicles' performances, according to the Better Business Bureau.

Before buying any of these products, the BBB says, consider this: If someone had actually invented a product that could boost your mileage by 40%, he wouldn't need to use spam or cheesy websites to drum up business.

·**Social-networking fraud.** Be wary of virtual "friends" who offer to let you in on a great investment. The wide-open nature of social-networking sites, such as Facebook and MySpace, create a fertile environment for fraud.

Many members of social-networking sites post information about themselves on their profiles, making it easy for con artists to target potential victims, Tyler says. Con artists can also use these sites to promote investment scams, she says.

Check your statements

During tough economic times, it's also important to watch your spending. That means carefully monitoring your credit card statements. The BBB says it's received hundreds of complaints in the past 12 months from consumers whose credit cards were billed for services they say they never signed up for.

The BBB traced the charges back to Affinion Group, a company that offers membership programs such as PrivacyGuard, an identity-theft protection service, and Shoppers Advantage, which offers discounts on online purchases.

The consumers who signed up for these programs bought items online, such as movie and airline tickets, says Alison Preszler, a spokeswoman for the BBB. After they completed their purchase, she says, a pop-up offer appeared, offering a gift card or discount on future purchases. Consumers who clicked on the offer were automatically enrolled in a membership program. Under a pre-arranged agreement, Preszler says, the company from which they'd made the online purchase then provided their credit card information to Affinion.

James Hart, a spokesman for Affinion, says consumers need to click several times - not just once - to enroll in the programs it offers. Once they've signed up, he says, they receive e-mail or letter explaining the service. The company has a liberal refund policy for consumers who change their minds, Hart says.

Preszler says the complaints point up the importance of regularly reviewing your credit card statements. Checking your statements is also one of the best ways to protect yourself against identity theft. And now, consumers who are concerned about identity fraud have another tool in their arsenals: free credit monitoring.

Under the terms of a settlement to end a class-action lawsuit, TransUnion, one of the three major credit bureaus, has agreed to offer six to nine months of free credit monitoring to consumers. If you had a credit card, car loan, mortgage or any other credit reported to the credit bureaus Jan. 1, 1987, through May 29, 2008, as nearly all U.S. adults did, you qualify for free credit monitoring.

In addition to alerts about changes in your accounts, you'll receive unrestricted access to your TransUnion report and credit score. To sign up, go to www.listclassaction.com or call 866-416-3470.

Sandra Block covers personal finance for USA TODAY. Her Your Money column appears Tuesdays. ***Click here for an index of Your Money columns.*** *E-mail her at: sblock@usatoday.com.*

Friends And Family Plan

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