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U.S. Stocks Have Risen Five Weeks (and Six Days) in a Row

By Louis Navellier

Don't look now, but the S&P 500 rose each day last week and each of the last five weeks. However, I see a mixed market in individual stocks. Some winners are consolidating, while many beaten-down stocks are firming up. Stocks exhibiting the most relative strength are primarily the high-dividend stocks and those providing higher sales guidance, but as the second-quarter earnings announcement season draws to a close, we could see a sideways market on low volume while traders take their late-August hiatus.

Moving from One Market Distraction (the Olympics) to another (Politics)

The stock market will undoubtedly see lighter trading volume from now through Labor Day as investors turn their attention away from the Olympics and toward the big political conventions. (The Republicans will meet in Tampa, August 27-30, while the Democrats will gather in Charlotte, September 3-6).

During the upcoming political "silly season," the stock market typically firms up, due to both candidates becoming champions of America's glorious future (under them). History shows that you have to be a happy, positive person to be elected President of the U.S. And now that Paul Ryan has been selected as Mitt Romney's Vice Presidential candidate, I suspect that the campaign dialogue will shift away from mud-slinging and toward each candidate's best plan for lowering the deficit and reviving the economy.

Stat of the Week: U.S. Productivity Continues to Rise (+1.6%)

The economic news last week was mostly upbeat. On Wednesday, the Labor Department reported that productivity rose 1.6% in the second quarter, above the economists' consensus estimate of a 1.3% rise. While net output rose 2%, hours worked increased by only 0.4%, netting a 1.6% rise in productivity.

Another piece of good news was that the U.S. trade deficit narrowed by 10.7% in June to $42.9 billion, from $48 billion in May, the most dramatic one-month improvement since February. Exports rose 0.9% to $185 billion, while imports fell 1.5% to $227.9 billion, due mostly to lower oil prices in June. Due to rising productivity and a narrowing trade deficit, some economists could revise their GDP estimates up.

Speaking of trade statistics, China spooked the market Friday when it announced that its trade surplus unexpectedly narrowed in July. China's exports rose by only 1%, while its imports surged 4.7%. As a result, China's trade surplus narrowed to $25.1 billion in July, down from $35.2 billion in June. It now appears that Asia is not immune from the economic slowdown in Europe, Latin America, and the U.S.

Another piece of good U.S. news was released on Thursday when we learned that weekly jobless claims fell by 6,000 to 361,000, the second straight improvement after some wild seasonal adjustments in the automobile industry. As a result of these wide weekly swings, the four-week average of weekly jobless claims actually rose by 2,250 to 368,250. Still, it appears that the job market may finally be stabilizing.

The worst U.S. economic news released last week came when the Mortgage Bankers Association reported on Thursday that mortgage delinquencies rose in the second quarter to a seasonally adjusted rate of 7.58% of all mortgages, up from 7.4% in the first quarter. Mortgage delinquencies are still lower than they were a year ago when they hit 8.44% of all mortgages. Overall, the housing market appears to be stabilizing.

Commodities are Rising Again, Especially the Grains, Oil and Gold

America's summer drought is now causing food prices to soar worldwide. On Friday, the United Nations called for the U.S. to immediately suspend production of corn ethanol, which is mandated by federal law. China, France, India, and other G20 countries have been critical of U.S. ethanol policies. However, since Iowa, the corn capital, remains a key swing state, politicians will avoid this corn vs. ethanol debate.

Gold is also rising again reaching $1,620 per ounce, up from $1,555 a month ago. It turns out that several central banks stepped up their gold-buying programs last month due to low gold prices and weakness in many currencies. Last week, South Korea's central bank said it purchased 16 tons of gold in July.

Turkey also reported that its gold imports in July reached 35 tons, its third highest purchase on record and 46% above June's totals. Of course, Turkey is in the process of trading some of its gold for Iranian oil, so some of this gold may be headed for Iran. Turkey is also encouraging its citizens to hold their gold in banks by allowing tax-free gold transactions, gold checking accounts, and other benefits. Gold deposits in Turkish banks have now reached an astounding $7.69 billion (about 150 tons), according to the World Gold Council. Like India and China, citizens of Turkey consider gold to be a traditional form of savings.

China was the biggest gold importer in the first half of 2012. Last Monday, Hong Kong reported that the net shipments of gold to China soared in June, pushing China's gold imports via Hong Kong (its main gold market) up to 382.8 tons in the first half of 2012 vs. just 65 tons in the first half of 2011. In addition, China mined another 177 tons of gold in the first half of 2012 according to the China Gold Association.

Crude oil prices also reached three-month highs of $94.72 (and $113.52 for Brent Crude) last week before settling back on Friday due to the weak Chinese trade data. The outflow of Iranian oil through Turkey should also tend to dampen oil's price rise, keeping gas prices at the pump under $4 a gallon this summer.

Marketmail gets updated on Fridays and whenever the DOW closes up or down 300 points or more.

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