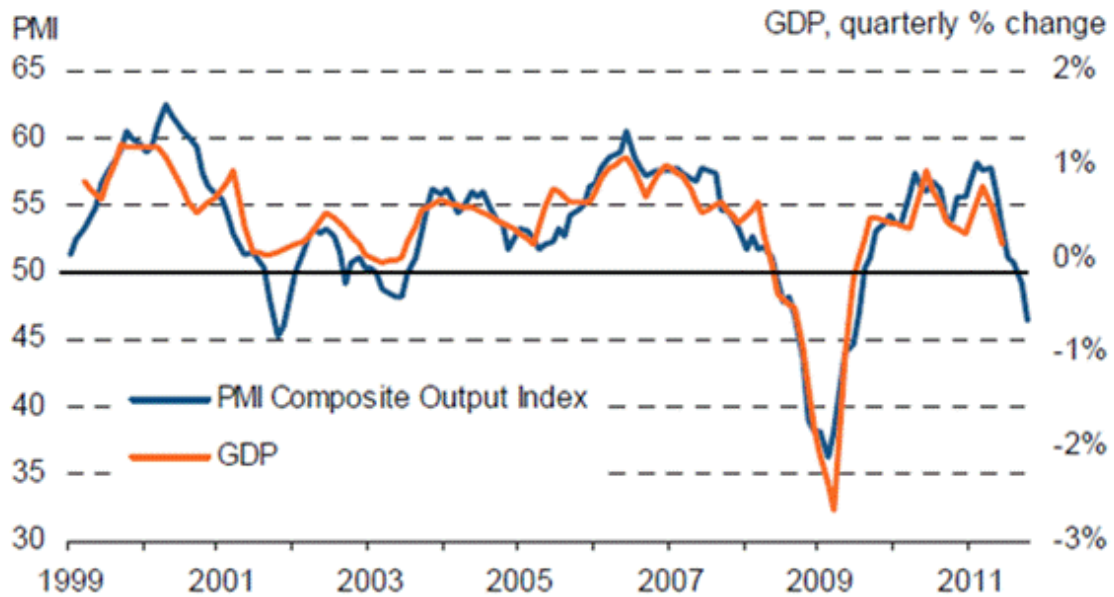


## EUROPE IN RECESSION WEB BUZZ 2011.11.14

On top of the fact that European countries are nearly broke (except Germany) and their banks are in the process of failing, their economy, by everything we see, has gone south. You can see it in their stock markets, bond markets, and now in their economic news. Please note the chart below.

### Markit Eurozone PMI and GDP



Sources: Markit, Eurostat. GDP = gross domestic product.

Adapted from Hussmanfunds.com

Some of the items that have recently come to light are as follows:

Germany - Industrial production was down 2.7% in September. Durable goods orders are negative. They declined 4.3% in September after declining 1.4% in August.

Euro Area - Retail sales declined 0.7% in September. Year over year decline was 1.5%.

This is just a smidgen. The trend, although not linear, seems certain.

Why do we care? We care because we are all in this together. Much of the good corporate profits in the U.S. have come from the Euro Area. Some 30% of S&P 500 company revenues come from Europe. There is an 86% correlation between Europe and U.S. recessions. And, of course, our commercial and investment banks have billions of dollars of loans that may become bad.

We continue to look for lower common stock prices along with lower government bond yields (higher prices).