1. No impact to downgrade – US still the safest place to invest

Mataconis 8/6, Doug Mataconis, “One Year Later, the Debt Downgrade Doesn’t Seem to Have Mattered Very Much,” 8/6/12, Outside the Beltway, http://www.outsidethebeltway.com/one-year-later-the-debt-downgrade-doesnt-seem-to-have-mattered-very-much/

 Another important factor to keep in mind here is that, despite all of our problems, the United States still remains one of the safest places to invest on the planet and U.S. Government debt instruments among the safest investments on the planet. Indeed, outside of Swiss Bonds and perhaps the Germans, there are very few truly safe investments. Because of this, and because the Swiss and the Germans don’t circulate nearly the amount of debt instruments that we do, there’s going to be a lot of demand for U.S. Government debt, and little eagerness on the part of investors to dump their T-Bills. This is especially true, no doubt, given the current state of things in Europe where, outside of Germany, everything seems to be once form of a mess or another. So, even if S&P’s downgrade was signalling the market the our debt was less safe than it used to be, it’s still safer than most other government debt, and when you’re seeing a “flight to quality” among investors the first place they’d go is the United States and it’s T-Bills. The final factor to keep in mind is related to the second and it involves the status of the dollar as the world’s reserve currency. Because of this, investors and institutional investors are going to want to maintain an investment presence in T-Bills.

Economy High

Despite economists pessimism, economy is getting stronger

Francis 8/6 (DAVID FRANCIS, 8/6/12, “Is the U.S. Economy Doing Better Than We Think?” http://money.usnews.com/money/business-economy/articles/2012/08/06/is-the-us-economy-doing-better-than-we-think //nimo)

Last Friday, U.S. stocks rose to their highest levels since May following a jobs report that showed the economy added 163,000 jobs last month, the most in five months. The report gave hope of a strong, sustained recovery to Wall Street, which has been faced with a series of conflicting reports in recent months. One day, there are signs that the economy is growing stronger. But it seems as if these reports are quickly overshadowed by worries that the United States could be heading into a double-dip recession. [See how Gut Instincts Can Hurt Your Portfolio.] This has created a pervasive state of concern among investors on Wall Street. Consumer confidence has been down in recent months, and reports by large institutional banks concentrate on market risks as opposed to market opportunities. Most seem to see the U.S. economic glass as half empty. But what if this glass is, in fact, half full? In recent weeks, U.S. News spoke with experts who believe there is underlying strength in the U.S. economy. If a number of economic and political issues can be resolved in a positive way, the economy could be poised for strong growth in the New Year, they say. This is in contrast to most advice given by experts in recent months, preaching caution to retail investors. But if a stronger-than-expected comeback is on the horizon, now could be a time to get into the stock market, which remains relatively cheap. Those willing to accept short-term volatility could see tremendous upside in the long term. Data mixed, but many signals are strong. Ernest Dawal, chief investment officer of wealth and investment management for SunTrust Banks, says he believes the U.S. economy is currently stronger than many have acknowledged. "We've been a little bit on the side of the fence saying the economy may be stronger than other economists are giving it credit for," Dawal says. "It will continue to grow at modest levels." He says one of the main factors in his assessment is the housing market. For years, the down market weighed on economic growth. But that is beginning to change, he says. [See 5 Investing Themes to Focus On.] "Housing will cease being a drag on the economy. Home prices are relatively still attractive. The pendulum between renting and buying will swing back to buying," he says. "Residential investment has been accelerating. Prices appear to be bottoming."

US economy trending upward

Quigley 8/6 (MATT QUIGLEY, 8/6/12, Mail and Guardian, Africa’s Best Read, “Economic week ahead: Craving bad news?” http://mg.co.za/article/2012-08-06-economic-week-ahead-craving-bad-news)

The US's data week will kick off with consumer credit figures from the Federal Reserve on Tuesday. Economists surveyed by Dow Jones Newswires expect the amount of consumer credit outstanding to have risen by $10.0-billion in June, down from a $17.1-billion rise in May. On Wednesday, attention will shift to the Bureau of Labour Statistics's second quarter labour productivity and unit labour costs. Productivity is seen rising 1.2%, after falling 0.9% in the previous three months of the year. Unit labour costs are seen rising 0.4%, down from a 1.3% rise in the first quarter. On Thursday, weekly jobless benefit claims are expected to edge up to 370 000 from 365 000 in the previous week. The US's trade deficit is seen narrowing to $47.6-billion in June after swelling to $48.7-billion in May. Finally, on Friday, government figures are likely to show that the US's federal budget deficit widened to $99-billion in June, up from $59.7-billion in June 2011. Separately, Labour Department figures are expected to show that import prices remained flat in June.

Economic growth and momentum now despite unemployment

Reuters 8/5 (Reuters, August 5, 2012, Reuters, Economy Watch, NBC News, “Markets strong in face of economic headwinds,” http://economywatch.nbcnews.com/\_news/2012/08/05/13130141-markets-strong-in-face-of-economic-headwinds?lite //nimo)

Despite a ho-hum earnings season and central banks' disappointing hopes for aggressive economic stimulus last week, U.S. stocks held firm.

After four days of losses, the benchmark Standard & Poor's 500 index rallied on Friday, finishing the week in the positive for a fourth straight time and reaching three-month highs. Sustaining momentum are valuations that make stocks attractively priced relative to other assets. To be sure, some corporate earnings have been impressive, especially in defensive stocks such as utilities. The trigger for stocks' surge was the Labor Department report that U.S. employers added 163,000 jobs to their payrolls in July, the most in five months. However, the unemployment rate, based on a different government survey, edged up to 8.3 percent.

Economy Low

Decreased consumer spending signals bad economy

Wasson 8/7 (Erik Wasson, 8/7/12, The Hill, “Bad sign for economy as consumers cut back on debt,” http://thehill.com/blogs/on-the-money/economy/242599-bad-sign-for-economy-as-consumers-cut-back-on-debt //nimo)

Consumers took on less debt in June than expected, a development that does not bode well for economic growth. The Federal Reserve reported Tuesday that consumer credit expanded just 3 percent in June, compared to 7.8 percent in May and 4 percent in April. The $6.5 billion increase in total debt was less than economists had expected. A Bloomberg survey of 30 economists predicted gains of $5.5 billion to $15 billion. Economists surveyed by Dow Jones Newswires had forecast a $10 billion expansion. Revolving credit, such as the debt on credit cards, fell in June for the second time in two months. It registered a 5.1 percent decrease. Non-revolving loans such as for autos and college tuition increased 7.2 percent. Students had been facing a possible increase in federal student loan rates at the end of June until Congress acted at the last minute. Consumer credit is intimately linked to spending and any slowdown in spending limits demand for goods and services. This in turn could lead to an economic downturn.

US economy is bad news – unemployment still high and underfunding of education

Zuckerman 7/18 (MORTIMER B. ZUCKERMAN, 7/18/12, “For the U.S. Economy the News Is Bad and Worse,” http://www.usnews.com/opinion/mzuckerman/articles/2012/07/18/for-the-us-economy-the-news-is-bad-and-worse //nimo)

The bad news is the disappointing June unemployment numbers released by the Bureau of Labor Statistics. The worse news is that we are failing to train tomorrow's labor force for employment in a world of accelerating competition. Jobs, first. The headline unemployment number remains at 8.2 percent, although President Barack Obama cited the 84,000 new private sector jobs last month as "a step in the right direction." He had the grace to add: "But we can't be satisfied." He can say that again. That 8.2 percent only measures people who have actively applied for a job in the last four weeks by going to an interview or filling out an application. It is not a relevant measure. People who have been unemployed for many months don't go through the business of applying for a job every four weeks. [See a collection of political cartoons on the economy.] Given that the median period of unemployment is now in the range of five months, vast numbers who want to work are just not counted. If we include, as we should, people who have applied for a job in the last 12 months, and those employed part time who want full-time work, the real unemployment number is closer to 15 percent. And we've made virtually no progress in reducing this number. We need 150,000 jobs every month just to take into account the people entering the labor force. Today we are looking at monthly job creation estimates of only 75,000 over the last three months. A more revealing clue to where we are lies in the term "structural unemployment," which indicates where jobs have vanished because of basic changes in how the economy works. In this area, people have little or no prospect of returning to the jobs they once had. This is a fundamental fact similar to what happened to farm workers over several decades with the advent of threshing machines and other devices, easy credit, land consolidation, and the like. Those workers found jobs in the new factories, but today manufacturing is the great source of our structural unemployment. We've lost some 6 million manufacturing jobs in the last decade or so. Automation has replaced many of them, but today, so different from earlier decades, there is another big jobs thief: globalization. Work is shipped abroad because of competition in skills, speed, and pay in all those places called Somewhere Else. [Read Mort Zuckerman and other writers in U.S. News Weekly, available on iPad and Nook.] Here now is the worse news: America is adding to the length of unemployment lines in the future by falling behind today in skill areas where global competition has become so intense. Too few of our younger people are benefiting from what is called STEM education. STEM stands for science, technology, engineering, and mathematics, the human capital at the core of any productive economy. America has long been a STEM leader. We have dominated the world in innovation over two centuries but most recently in computer and wireless power, the development of the Internet, and cellphones, and with those innovations came well-paying jobs. But our leadership is at risk.

No ! to Eurozone Collapse

Eurozone collapse would have minimal impact on the US – empirics

Hilton 12 (ANTHONY HILTON, JULY 2012, Anthony Hilton: Keep calm … if euro collapses we can still carry on trading,” http://www.independent.co.uk/news/business/comment/anthony-hilton-keep-calm--if-euro-collapses-we-can-still-carry-on-trading-7942359.html //nimo)

It is part of the accepted wisdom that the collapse of the euro would be a disaster for the UK, but when was accepted wisdom a useful guide to anything? Half our exports go the EU but exports these days account for 26 per cent of GDP. So even if exports across the Channel collapsed entirely it would still put at risk only 13 per cent of GDP. That leaves 87 per cent carrying on much like before. It is reasonable to expect some disruption of exports, but would it not also be likely that there would be a similar collapse in our imports from the eurozone? And given that we import more from those countries than we export, is not the trade effect likely to even out? However, this is all a bit vague. It is more helpful to look in more detail at what we trade, where it comes from and where it goes. It matters for example that a lot of what we import from the most troubled southern European nations and Ireland is food. If the euro were to disappear and these nations relaunched their old currencies then one would expect these to fall in value compared to the pound – which means that those food imports would be cheaper. Is that so bad? Admittedly, however, with the drachma likely to plunge most, the biggest price cut may well be on retsina so it is not all good news. Our biggest export earners are financial services and pharmaceuticals. The main markets for these are the more affluent northern European countries, whose currencies one would expect to appreciate – making our sterling priced exports a little bit cheaper and a bit more competitive. So while there might be a loss of volume it is reasonable to ask how deep and how long lasting that is likely to be in reality. Obviously no one knows. You can never model these things because there are just too many uncertainties, but I do take comfort from an article written the other day by Gabriel Stein and published on the Official Monetary and Financial Institutions Forum website. He pointed out that more than 70 monetary unions had disappeared since the Second World War and most of us hadn't even noticed. This would suggest that while such disintegration was usually fraught, and sometimes very difficult, there is no evidence that it has to be cataclysmic.

Econ – Low

Low economy – employment, consumer spending, manufacturing all down

Marketwatch 8/5( “The less productive U.S. economy,” 2012 <http://articles.marketwatch.com/2012-08-05/economy/33041327_1_productivity-growth-wage-growth-mass-layoffs>

WASHINGTON (MarketWatch) — After a brief pick-up due to “overfiring,” the trend in productivity is heading in one direction: down. And from a job’s perspective, thank goodness for that. “The only reason 1.7% GDP growth can go with 1% jobs growth, is because productivity growth is less than 1%,” said Northwestern University economics professor Robert Gordon, who is one of the world’s foremost experts in the field. By Gordon’s reckoning, a sharp upward spike in productivity in 2009 and the early parts of 2010 was simply due to companies overfiring in response to the financial crisis of 2008 and 2009. Now, productivity is on the way back down as companies have stopped these mass layoffs — as evidenced by the sharp drop in first-time claims for unemployment benefits over the last year. “We had these great inventions in the 19th century that took 100 years to work through,” Gordon said, pointing to the highway system and air conditioning as two major ones. The Internet age gave a brief lift to productivity as well. But many newer inventions aren’t doing much at all.  His numbers on trend productivity show a revival to an annualized rate of 2.3% in mid 2001 before a decline down to 1.7% in 2007. He now sees the trend at a postwar low of 1.2%; actual productivity on an eight-quarter moving average is actually below the trend as companies have corrected the overfirings. “If you’re just getting off a subway and pulling out an iPhone instead of a Motorola Razr, you’re not really doing anything different,” Gordon said. The boon in natural-gas production is really an offset to higher prices of oil and the polluting effect of coal, he added. The Labor Department on Wednesday is due to release second-quarter data on productivity, an oft-maddening, frequently revised and rarely market-moving number that nonetheless provides vital insight on the performance of the economy. Though the jobs picture brightened a bit in July, with 163,000 nonfarm positions created, Gordon says the unemployment rate isn’t likely to drop back down to prerecession levels around 5% anytime soon. “I think more realistically that, gradually, [unemployment] equilibrium will move from 5% to 7%,” he said. He says that fits with anecdotes of businesses finding difficulty in hiring workers with the right skills, and with skills eroding from the long-term unemployed. In July, there were more than 5 million people who have been out of work for more than six months, according to Labor Department data released Friday. But wage growth will continue to be limited, pointing to a recent Caterpillar strike in Illinois over wages and health-care costs that he says is “short-hand” for the whole phenomenon. After last week’s avalanche of important data on jobs, manufacturing and services, the coming week brings statistics that aren’t likely to trigger sweeping market movements. On Monday, the Federal Reserve is due to release the latest senior loan officer survey, an important quarterly report asking top commercial bank officials about the demand for loans they have seen as well as how willing the banks are to make those loans. Consumer credit has been on the upswing since the spring of 2011, and the June data due Tuesday from the Fed should confirm that move. However, those gains have been mostly due to demand for car and student loans. June trade data, due Thursday, will provide economists with an opportunity to see whether the worrying signs on new orders that has shown up in purchasing manager surveys is actually translating into less activity with America’s trading partners. So far, export growth has been slowing but not at a dramatic clip. The weekly jobless claims report will be eyed for any significant shifts, after July’s data contained big swings largely owing to the timing of car plant retoolings.

Economy low – oil dependence, trade imbalances, overregulation

Morici 8/5 (Peter Morici is an economist and professor at the Smith School of Business, University of Maryland, and a widely published columnist, “Much work remains to repair economy,” 8/5/12 <http://www.statesmanjournal.com/article/20120806/OPINION/308060013/Much-work-remains-repair-economy>)

 Growth is weak and jobs are in jeopardy, because temporary tax cuts, stimulus spending, large federal deficits, expensive but ineffective business regulations, and costly health care mandates do not address structural problems holding back dynamic growth and jobs creation — the huge trade deficit and dysfunctional energy policies. Oil and trade with China account for nearly the entire $600 billion trade deficit. Dollars sent abroad that do not return to purchase U.S. exports, are lost purchasing power. Consequently, the U.S. economy is expanding at 2 percent per year instead of the 5 percent pace that is possible after emerging from a deep recession and with such high unemployment. Without prompt efforts to produce more domestic oil, redress the trade imbalance with China, relax burdensome business regulations, and curb health care mandates and costs, the U.S. economy cannot grow and create enough jobs.

Econ – High

Economy barely growing now - employment

Dees Stribling, Contributing Editor of Commercial Property Executive, 8/6/12, “Economy Watch: Employment Growth Up, but Economy Still Spins Its Wheels,”

Though the report turned out better than expected, July’s employment numbers still count as mediocre. A net of 163,000 jobs was created across a reasonably wide range of businesses, but both the number of unemployed persons (12.8 million) and the unemployment rate (8.3 percent) were essentially unchanged in July, according to the Bureau of Labor Statistics. Both measures have shown little movement so far in 2012. In fact, the same has been true since the worst of the recession ended. Since the beginning of this year, employment growth has averaged 151,000 per month, about the same as the average monthly gain of 153,000 in 2011. For the first seven months of 2012, the economy added 1.1 million jobs, which will total 1.9 million if the pace continues through to the end of the year. Definitely better than nothing, but not enough to do much more than keep the economy from sliding back into recession.

Domestic production means economy is growing – comparatively better indicator

PPG 7/7/12 (“Comsumer Borrowing key to recovery” Pittsburgh Post-Gazette, lexis)

Against the backdrop of substantial debt reduction, the economy is actually doing pretty well. Output has been growing continuously for nearly three years and has surpassed its pre-recession level. Production is expanding: The index of industrial production has been growing since July 2009 and is approaching its pre-recession level. And the economy continues to add jobs, albeit slowly. The economy also looks healthy structurally. Growth is being driven entirely by the domestic private sector. This is a far more reliable way to grow the economy than with government spending on temporary stimulus initiatives or through artificial export growth fueled by exchange rates.

FD – High

FD – Low

Deadlock means no fiscal discipline – fiscal cliff is inevitable

Lowell Sun 8/6 “A year later, U.S. economy still chugging” The Lowell Sun Updated:   08/06/2012 06:39:50 AM EDT <http://www.lowellsun.com/business/ci_21245632/year-later-u-s-economy-still-chugging#ixzz22mR3dhyv>

A year later, the two political parties are still as deadlocked as ever. They can't agree how to reduce the annual gap between what the government spends and what it collects in taxes. That deficit is expected to be $1.1 trillion in the fiscal year that ends Sept. 30. Each year's deficit adds to the federal government's $11.1 trillion in accumulated debt. The White House and congressional Republicans last year came up with a plan designed to force themselves to compromise. If they can't reach a budget deal by the end of the year, $600 billion worth of spending cuts and tax hikes -- far more draconian than anything either side would agree to -- will kick in Jan. 1. The shock of those measures would push the U.S. economy over the so-called "fiscal cliff" and probably into a recession, the Congressional Budget Office warns.