

Radchem Products, Inc.

AUGUST | 2011

News



▶ MARKET REPORT
BY: BILL RADOSTITS



▶ FINANCIAL NEWS
BY: HARRIS BANK



Coordinated by: Amy Radostits
Edited by: Will Radostits

912 Stiles Drive | Unit B | Addison, IL 60101 | Phone: (630) 543-9900 | Fax: (630) 543-9393



Dr. Sherry Cooper | Executive Vice President and Chief Economist, BMO Financial Group

So much for a relief rally following the U.S. debt-ceiling compromise—it barely lasted 30 minutes last Monday. The stock market is telling us that the likelihood of the much-lauded second half rebound in the U.S. and global economy is vanishing with the release of nearly every new disappointing economic data point. Today, we saw a dip in the nonmanufacturing ISM on the heels of Monday's shocking decline in its manufacturing counterpart. While the ADP National Employment Report was ok with a gain of 114k private sector jobs in July, June's number was revised down from (a misleading) 157k to 145k. **But the ADP series averaged 120k in Q2 (the national private sector series averaged 124k), so I'd be inclined to read 114k as consistent with no better than a stabilization.** Keeping in mind that government jobs are likely to have contracted last month, this does not bode well for much more than about a 100k net job gain for nonfarm payrolls released this Friday, nor is it large enough a boost in jobs to take down the 9.2% unemployment rate. On the hopeful side, the past couple of weeks of jobless claims have edged downward. **Improvement in the labour market is key to even a modest Q3 rebound, which makes this week's July labour report so important.**

What worries me the most, however, is the surge in layoffs. According to a report by consultant Challenger, Gray & Christmas, employers in the U.S. in July announced planned job cuts of 66,414, surging 60% from June and hitting the highest level since March 2010. Companies outside the U.S. are also making enormous cuts (think RIM, HSBC and Barclays), providing evidence that the recovery has stalled. The July increase in job cuts was up 59% from a year ago, with 57% of the July cuts from pharmaceutical giant Merck, bankrupt bookseller Borders, networking giant Cisco, defense manufacturer Lockheed Martin, and medical-device maker Boston Scientific. As the report lays out, the top three job-cutting companies reduced their workforces for reasons not driven directly by weakness in the economy, but "by factors specific to those companies' operations." Borders, for example, "was unable to compete in an increasingly digital landscape, dominated by Amazon.com and Barnes & Noble." But other signs suggest the surge in layoffs may have deeper roots than a handful of companies' need to shed employees. The number of job openings dropped in June and July, according to the Conference Board tracking of online job postings. Another telling piece of the puzzle: The number of temporary workers -- whose fortunes are closely watched as an indicator of employers' future hiring intentions—dipped between May and June, according to the Bureau of Labor Statistics.

Gold has hit another record high as stocks are selling off for the ninth consecutive day. This puts the blue chips in line for their longest decline in more than thirty years as investors weigh recession risk with the backdrop of regulatory and sovereign debt uncertainty in the U.S. and Europe. The TSX has inevitably been swept up in this tsunami as Canadian bank stocks have fallen over 6% in the past two weeks and materials stocks have declined 3.5%. Year-to-date, the S&P 500 is down nearly 1% while the TSX has shed almost 6%. On a U.S. dollar-exchange adjusted basis, however, the net change is somewhat closer with the TSX down 2.5% in U.S. dollar terms.

What's more, the negative wealth effect of the recent slide in stocks exacerbates the economic weakness. Households are already stretched, in the U.S. especially, as real personal income less transfer payments (such as unemployment insurance) is well below its pre-recession peak and house prices continue to fall, another important component of wealth.

Bottom Line: Things are not looking good for the U.S. or the global economy. Energy stocks led today's selloff as crude oil prices tumbled to just above \$92 a barrel. European stocks fell sharply in the wake of the U.S.'s Tuesday losses and Asian bourses were also hit hard. All eyes are on Friday's employment data, hoping for signs of the second-half rebound.



MARKET REPORT | BY: BILL RADOSTITS

Ethylene Glycol and Ethylene Oxide are on the move upward in price. One producer of ethanolamine has already raised pricing by .05/LB. Pricing for antifreeze will definitely be increasing in the near future. Propylene oxide is tight since the Korean producers have pulled out of the U.S. market causing concern about availability of Propylene Glycol for normal seasonal demand.

Methanol is up anywhere from .12 to .19/gallon after Methanex increased .10/gallon to contract buyers.

Acetone pricing is very volatile and has softened about .08/LB in the month of July. The current market is trading in the low .60's.

Toluene has moved up .03/LB in July because of the value in gasoline blending.

Xylene has moved up .03/LB in July because of export demand in paraxylene.

Aliphatic Solvents including Mineral Spirits, Naphthol Spirits and 142 Solvent have remained stable for the last two months. Crude Oil has suddenly begun to drop along with the stock market. Traders are reacting to the results of the debt deal in Washington and are worried about demand. If Crude continues to drop, fuels and solvents will follow. Crude has dropped from \$96/Barrel to \$87.60/Barrel in 1 week.

	4/1/2011	5/1/2011	6/1/2011	7/1/2011	7/15/2011	8/1/2011	8/4/2011
Crude Oil	\$107.94	\$113.52	\$100.29	\$94.94	\$97.24	\$94.89	\$87.60
Diesel	\$3.13	\$3.25	\$3.01	\$2.92	\$3.12	\$3.10	\$3.03
Gas	\$3.15	\$3.35	\$2.98	\$2.97	\$3.13	\$3.05	\$2.89