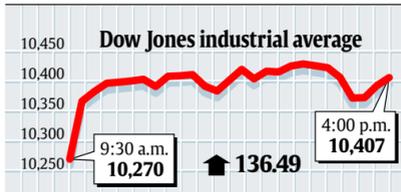


Tuesday, November 17, 2009

Moneyline

Monday markets



Index	Close	Change
Nasdaq composite	2197.85	▲ 29.97
Standard & Poor's 500	1109.30	▲ 15.82
Treasury note, 10-year yield	3.34%	▼ 0.09
USA TODAY Internet 50	140.81	▲ 1.55
Oil, light sweet crude, barrel	\$78.90	▲ 2.55
Euro (dollars per euro)	\$1.4987	▲ 0.0094
Yen per dollar	88.98	▼ 0.65

Sources: USA TODAY research, MarketWatch.com
 ▶ Market scoreboard with currencies, 4B

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CEO of GMAC suddenly resigns

Beleaguered lender GMAC's CEO, Alvaro de Molina, abruptly resigned Monday as the company prepares to take a third round of government bailout funds. The company, the former lending arm of General Motors, named board member and former Citigroup banker Michael Carpenter as its new CEO. GMAC didn't provide a reason for de Molina's resignation. The lender, suffering from losses in its mortgage loan portfolio, failed to raise capital needed to pass the government's stress test. Now, the Treasury is preparing to inject \$2.8 billion to \$5.6 billion into the company. GMAC's board has requested Treasury hold off on the investment until Carpenter assesses the company's needs.

AOL to be spun off on Dec. 9

Time Warner made it official: On Dec. 9 it will divorce AOL, closing the book on one of the most disastrous mergers in history. The media giant will spin off the online operation, turning it into a separate publicly traded company. Investors will get one share of AOL for every 11 shares of Time Warner that they own on Nov. 27. The spinoff is part of Time Warner CEO Jeff Bewkes' effort to focus on news and entertainment.

Retail sales growth beats expectations

U.S. retail sales grew more than expected last month as vehicle purchases bounced back, but non-auto sales rose modestly, suggesting consumers remain too cautious to drive a robust economic recovery. The Commerce Department said retail sales rose 1.4% last month, beating expectations for a 1% rise. Excluding autos, sales were up just 0.2%.

SEC: Program was \$30M Ponzi scheme

A deal promising annual returns as high as "hundreds of percent" for investors in environmentally friendly programs was a \$30 million Ponzi scheme that lured more than 300 clients nationwide, the Securities and Exchange Commission charged Monday. Wayne and Donna McKelvey were hit with civil charges about alleged bogus claims made through their Speed of Wealth program in Denver. Speed of Wealth was also charged, along with Mantria, a purported "carbon negative" housing community in Tennessee, and two of its executives.

Stocks hit fresh '09 highs

U.S. stocks continued their march Monday, with all three major indexes rallying to highs for the year. Driving the gains in the Dow Jones industrial average, Nasdaq composite and S&P 500 were better-than-expected retail sales, which raised hopes that the all-important holidays may not be as dismal as feared. Another drop in the value of the dollar (story, 6B) also helped stocks, as investors flocked to riskier investments with better upside potential. The Dow rose 136.49 points to 10,406.96.

New gift card rules proposed

The Federal Reserve on Monday proposed rules to protect consumers from unexpected costs or restrictions on gift cards. Under the proposal, consumers must have at least five years before cards expire. The Fed also said service or inactivity fees can be imposed only under certain conditions, such as if the consumer hasn't used the card for at least a year. The rules are set to take effect Aug. 22.

From staff, Associated Press and Reuters reports

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By Peter Kramer, AP

Tax credit may mean higher tax bill

Stimulus could have unexpected side effect

By Sandra Block
 USA TODAY

More than 15 million taxpayers could end up owing the IRS money next spring, an unintended consequence of a tax credit designed to stimulate the economy, the Treasury Department's inspector general for tax administration said Monday.

Personal finance

The economic stimulus package enacted in February provided a tax credit of \$400 for individuals and \$800 for married couples. The IRS was instructed to adjust withholding tables so that workers would receive a small increase in their paychecks. Social Security beneficiaries

got a one-time payment of \$250.

But millions of taxpayers may have received a larger credit than they were entitled to because the IRS' revised withholding tables didn't take into account certain circumstances, such as workers with more than one job, the inspector general said. Other taxpayers at risk include dual-income couples, retirees who receive a pension and Social Security beneficiaries who have earned income.

As a result, 15.4 million taxpayers could unexpectedly owe money when they file their 2009 return, the report said.

The IRS said the inspector general's numbers are overstated. Most taxpayers who received an excess credit will see a lower refund instead of a tax bill, IRS spokeswoman Michelle Eldridge said. "For the vast majority of taxpayers, there's no impact."

Still, even a smaller-than-expected

Surprise come tax time

Taxpayers who could receive a smaller-than-usual refund or owe money next year:

- ▶ Single taxpayers with more than one job.
- ▶ Joint filers where one or both spouses have more than one job or both spouses work.
- ▶ Individuals who file a return with an Individual Taxpayer Identification Number.
- ▶ Taxpayers who get pension payments.
- ▶ Social Security recipients who receive wages.

Source: Treasury Inspector General for Tax Administration

refund could be a problem for taxpayers who count on a check from the IRS every spring, said Melissa Labant, a tax technical manager for the American Institute of Certified Public Ac-

countants. Some taxpayers rely on that money to pay their holiday credit card bills, she said. This year, the average tax refund was about \$2,800.

The problems outlined in the inspector general's report highlight the difficulties the IRS faces whenever Congress decides to stimulate the economy by giving taxpayers a credit or rebate, said Mel Schwarz, tax partner with Grant Thornton.

"There's no perfect way to deliver the tax cut quickly when you're trying to apply it to such a broad range of individuals," he said.

Taxpayers who think they might have a problem and who don't want to wait until they owe or see a smaller refund can either change their withholding for the rest of the year or make an estimated tax payment by Jan. 15, Eldridge said.

Contributing: Matt Kelley



Cover story

China's eager to harness the sun

Nation pushes development of solar power

Photos by Applied Materials

Walking on sunshine: Applied Materials' plant in China will construct crystalline silicon panels such as these mounted on a solar array in California.

By Julie Schmit
 USA TODAY

ANAHEIM, Calif. — The world's solar companies gathered here recently amid the nation's largest solar market under a brilliant sun — and the looming shadow of China.

China leads the world in making solar cells, the key component in solar panels, many of which are exported to the U.S.

But China is setting itself up to do more than just manufacture components for renewable energy, such as wind and solar. It's also spending heavily to build its own domestic market as it attempts to battle its greenhouse gas emissions, electrify its nation of 1.3 billion people and curb its massive pollution problem.

The buildup of a huge market in China for renewable energy is luring global manufacturers and research teams to China, energy executives say. That's causing concern in some corners that China — not the U.S. — will emerge as the hub of the new industries, leaving the U.S. as dependent on foreign nations for solar panels, wind turbines and other green-energy equipment and technology as it is on the Mideast for oil.

"The Chinese government has recognized that these industries are the 21st century's industries of importance, and it wants to be the Silicon Valley of renewables," says Alan Salzman, CEO of U.S.-based VantagePoint Venture Partners, which specializes in clean energy and clean tech investments.

Please see COVER STORY next page ▶



Data check: Technicians work at Applied Materials' Solar Technology Center in Xi'an, China.

U.S.-China bickering overlooks big picture

Currency policies have global effects

By David J. Lynch
 USA TODAY

U.S. gripes about China's currency policy are now matched by Chinese complaints that the Federal Reserve's low interest rates are inflating new asset bubbles.

But as President Obama meets today with Chinese President Hu Jintao, both nations' crisis-fighting policies are having effects far from their own shores. Low U.S. interest rates and the weak dollar invite investors to use borrowed dollars to buy assets in higher-yielding developing countries. And China's decision

to link its currency to the dollar costs other developing countries exports.

"Low interest rates for the U.S. certainly do create problems for the rest of the world. ... There's a very strong temptation for money to flow out of the U.S. and into other countries," says economist Eswar Prasad, a former International Monetary Fund official.

In China, foreign currency borrowing has risen eight consecutive months and now totals \$360 billion — 40% more than a year ago, says Marc Chandler of Brown Bros. Harriman. The so-called carry trade is driving some stock and property markets to new, potentially unsafe heights.

The Shanghai exchange is up 79% this year. And housing prices in China's 70 largest cities rose 3.9% last

month, their fastest rate of increase in a year, according to JPMorgan.

Any eventual bubble in China, however, may owe more to domestic policies than U.S. interest rates. To spur its economy during the global downturn, the Chinese government direct-

▶ China mutes Obama's talk on censorship, 4A

ed its state-owned banks to issue a flood of new loans. More than \$1.3 trillion in new lending resulted through October, more than one-quarter of China's annual economic output.

The impact isn't limited to Asia. In dollar terms, Brazil's benchmark stock index is up more than 139% this year. Worried Brazilian officials last

month slapped a 2% tax on foreign purchases of stocks and bonds, trying to stem capital inflows that are driving up the value of the *real*.

Such capital controls may spread to other countries, reversing a trend toward easing cross-border flows, says Antoine van Agtmael, chairman of Emerging Markets Management.

Since China pegs its currency to the dollar, the falling greenback has dragged the yuan with it.

The weaker currency acts as an effective price cut for Chinese products shipped abroad, enabling China's exporters to benefit at the expense of producers in countries with floating currencies. Since March, the Brazilian *real* is up more than 38% against China's yuan, while South Korea's *won* has risen 37%.

GM says it's ready to start repaying government

But it still isn't making money in the key North American market

By Sharon Silke Carty
 USA TODAY

DETROIT — General Motors said Monday that it's already planning to start paying back its government loans, but experts say not to be too bowled over by the figures.

The automaker is paying the loans out of its government escrow account, money it's had available since the company emerged from bankruptcy. Also, it still isn't making money in North America, its key market.

GM says it lost \$1.15 billion, including one-time items, from July 10 through Sept. 30. GM entered bankruptcy court June 1 and emerged June 10 as a new company. The "old" GM is being liquidated. The loss does appear to be smaller than in recent pre-bankruptcy periods, though the automaker

warned that the accounting for the new figures doesn't line up with that of past figures and shouldn't be compared.

The automaker says it plans to accelerate its loan repayment to the U.S. and Canadian governments, beginning by paying out \$1.2 billion in December.

GM went into bankruptcy protection with about \$95 billion in debt and emerged owing \$17 billion. Of that, \$6.7 billion is owed to the U.S. and \$1.4 billion to Canada. If things go according to plan, CEO Fritz Henderson says, GM could pay off all of the \$8.1 billion in government loans by summer. "Today's results provide evidence of a solid foundation we're building for the new GM," Henderson said. "With a healthier balance sheet and a competitive cost structure, our focus is on driving top-line performance."

Before taxpayers get too excited: The loans are a fraction of the \$52 billion the government lent to



Henderson: Sees "solid foundation."

GM. Most of the \$52 billion was converted to a 61% equity stake in the new company. Only when GM is again a public company and the government's shares can be sold will it get any of that money back.

The automaker still isn't making money in North America, its biggest and most critical market. There, it posted a \$651 million loss, compared with a profit of \$238 million internationally.

"It's reassuring to consumers that, yes, things are changing, and I think they need to keep announcing financials and clearing the air. Otherwise, people assume the worst," says Brad Coulter, a turnaround expert at O'Keefe & Associates. "But I wouldn't call this report positive or negative. It's just too early to tell."

Coulter says GM needs to do what it can to keep the financial markets apprised of its progress. Uncertainty has kept lenders hesitant to make loans to companies that make parts for GM, he says.