

Daily Market Notes**Market Update:****DJIA:** 10120**S&P 500:** 1081**Nasdaq:** 2160**10YR T-Note:** 3.61%**EUR/USD:** 1.387**Gold** 1080**Crude Oil:** 73.35

Those plunging Greek bonds did it once again, as continued worries over the country that is ranked as the most corrupt in the E.U., spurred concerns that worldwide economic growth could slow. Not even the Senate confirmation of Fed Chairman Bernanke could get the market out of its downside funk, as a vicious very late selloff sent the Dow to its fifth triple digit loss since January 15th. At 3:34pm the Dow had clawed its way back from a loss of as much as -181 points to be "only" -56 points lower just as the Senate vote was nearing completion. Then in one of those sickening very late downside plunges, the Dow declined by another -60 points in the space of those 15 minutes to close with a -116 point decline. Breadth numbers were horrible at -2.8/1 to the downside and the S&P has now declined by -5.7%, which is consistent so far with other declines since the upward move began last March, although the other declines took place over a longer period.

Prices Current as of
2:10 PM

Source: Bloomberg

In addition to the Greek situation, there was pressure from the fact that Asian markets had declined for eight straight sessions, which was the longest losing streak since May 2005. Then there was the recent politicizing of the stock market, so perhaps yesterday's weak performance was another recent example of how every time the President has spoken recently, stocks have had a tendency to come down, especially after last Thursday's downside disaster after his proposed restrictions on the banks program.

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Then the biggest deal was made over the weaker reports from certain technology companies, completely ignoring the fact that other large companies such as the large Dow consumer products company, among others did well on their reports. Somewhat encouraging was the fact that the one group that held in there on the upside a bit was the large financials after the recent beating that they have taken.

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The market did get some good news today in the form of a better than expected initial reading on fourth-quarter G.D.P., the January Chicago Purchasing Managers Index and the final U. of Michigan Consumer Sentiment Survey. G.D.P. came in with a gain of +5.7%, the fastest in six years, or since the third quarter of 2003. This was primarily due to inventory buildup, which alone added 3.4 points to the total, and was

Daily Market Notes

the largest contributor to this advance since the fourth quarter of 1987. Also encouraging was that business investment rose by the best level since the second quarter of 2008, and exports grew faster than imports. But for all of 2009, G.D.P. declined by -2.4%, which was the largest drop since 1946. The January Chicago Purchasing Managers Index rose to its highest level since November 2005 and the Michigan Sentiment number was the best since January 2008.

As a result of these stronger reports and better earnings from marquee technology names, the market started out strongly and by 10:30 the Dow was up by as much as +119 points, with the Nasdaq advancing by +23 points. Then the largest software product maker and Dow and Nasdaq component went into a complete reversal to the downside despite a wonderful earnings report. Unfortunately there are still investors out there who think that these old-time technology high-fliers from the late 1990's can repeat the magic of yesteryear when they come in with better earnings reports. Those days are over for these types of stocks, which can only make modest gains now and basically have gone nowhere overall for years.

In addition, the two Nasdaq high-fliers of the past year, namely the largest Internet search engine company and the maker of personal computer and mobile technology devices both look like they have had it on the upside for the time being after a tremendous run the past year, as it now appears as if sellers are coming in on rallies. And let us remember that both of these two recent high-fliers also reported wonderful earnings as well.

The dollar continues to strengthen against the Euro on the basis of these stronger economic reports, and the Euro's decline to its lowest level since last July is putting pressure on commodity prices like gold, copper and oil a little bit, so it appears as if the story of the inevitability of higher prices for gold, you know, the one about the lack of faith in paper currencies which drove it to an all-time record high early in December, is mercifully over.

Of more importance is that after the sickening declines of the past two weeks, the

Daily Market Notes

market needs to dig in its heels and close today with some kind of gains. This is especially true in light of the fact that the Dow plunged from its 10:30am high to actually being down by -11 points shortly after 12pm. It has regrouped modestly since then, but the Nasdaq is lagging on a ratio basis, courtesy of the weakness in some large technology stocks as mentioned above. If the Dow cannot at least close higher today, then things are really in trouble. What makes this situation a bit tenuous is the strong tendency of stocks to close lower on the last trading day of the month, which today is, but one can "excuse" the Dow if it goes higher today because of the brutal beating it has taken recently,

Next week's earnings lineup is not quite as heavy as the last two weeks has been, and we will publish the list in Monday's report. We will also list the economic data, the most important of which will be Friday's January jobs report.

For the fourth quarter, the S&P companies are expected to show a profit gain of +73%, according to the consensus of analysts who follow these companies. But without the financials, which are expected to report gains of +120% just by themselves, according to analysts who follow financial firms because of the easy comparisons to the disastrous fourth-quarter of 2008, the balance of the companies will show profit declines of -2.5%, according to the analyst's estimates. So there is going to be real distortion here, and it therefore will become more important to look at the earnings of each company on an individual basis. According to the analysts, for 2010, earnings are projected to increase by +29%, followed by earnings increases of +22% in 2011.

After four consecutive quarters of negative G.D.P. growth which started in the third-quarter of 2008 and extended through the first two quarters of 2009, we finally got a positive growth period in the third-quarter, at a final gain of +2.2%.

Daily Market Notes

Disclosures

Don Selkin is the Chief Market Strategist at National Securities Corporation, member FINRA/SIPC, (NSC) and provides the Fair Value analysis for CNBC each morning. The commentary provided in this Market Letter is intended to provide our customers with timely market analysis and should not be considered a research report. This Market Letter may contain, and is limited to: Discussions of broad based indices; Commentaries on economic, political or market conditions; Technical analyses concerning the demand and supply for a sector, index or industry based in trading volume and price; Statistical summaries of multiple companies' financial data, including listings of current ratings; and, Recommendations regarding increasing or decreasing holdings in particular industries or securities. This Market Letter does not make a financial or investment recommendation or otherwise promotes a product or service of the firm. This Market Letter contains only news, facts, and commentary on information previously reported from a news source believed to be accurate and reliable by the author. These news sources include the following: {Bloomberg Financial, Reuters, Associated Press}. It is possible that at any given point in time, the author, NSC, or one or more of its employees or registered individuals associated with NSC, may hold a position, either long, or short, as well as options, bonds, or other instruments in the companies noted in this report. This Market Letter is intended strictly for current National Securities Corporation customers only.