

**Daily Market Notes****Market Update:****DJIA:** 10195**S&P 500:** 1088**Nasdaq:** 2146**10YR T-Note:** 3.48%**EUR/USD:** 1.499**Gold** 1100**Crude Oil:** 79.76Prices Current as of  
2:22 PM

Source: Bloomberg

Imagine how strong the market would have been on Friday if we had gotten a bullish jobs report, as despite the unemployment rate going to its highest level in 26 years, stocks were able to overcome early losses and rally into the close, finishing with nominal gains which had to be considered a victory. After a decline of as much as -68 points after the unemployment rate went to 10.2%, things were able to steady as the day wore on as investors put a positive spin on the fact that the pace of job losses continued to slow, the prior two months were revised lower by -91,000 fewer job losses and the Fed had said that they will keep interest rates low for the foreseeable future, probably well into next year. In addition, we saw the third straight monthly increase in temporary hiring, which can be a leading job market indicator.

As a result, the Dow was able to eke out a closing gain of +17 points, and despite the fact that the net changes in the major averages were small to the upside, the Nasdaq/Dow ratio was actually somewhat positive, which also helped sustain the advances. And miracle of miracles, stocks were able to advance despite oil prices declining (how can this be?) and the dollar sort of holding its own for a change.

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So after two weeks of severe losses and a market correction of -5.6% once again taking place in the very late days of the prior month and the very early days of the new month for the third time in a row, the market was able to once again regroup and begin another challenge of the highs.

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Building on the strong gains of last week, the market is off to the races once again today, based on news that the G20 said that they will keep stimulus measures in place which means that interest rates will continue to stay low. And sure enough this perception of low interest rates is once again weakening the dollar up to the 1.50 Euro level and as a result, gold prices continue in their own upside world to new record highs over \$1,100, and commodity prices in general are gaining as the dollar gets sold off once again. Oil prices are jumping on the approach of Tropical Storm Ida into the Gulf of Mexico. Of course, oil's sharp rise today is a function of the weaker dollar and this latest supposed hurricane threat, which has nothing to do with the fact that oil demand does not support prices at these levels. It is almost a

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certainty that prices will decline if today's rise is based on this supposed hurricane, as the sustained winds have already dropped from 105 mph earlier in the day to 70mph at present. Then we hear that certain oil companies are moving away "non-essential personnel" from the area and others have started "some precautionary curtailment of production", an old story that has been used forever to maneuver prices to higher levels.

So the weak dollar and higher commodity prices are once again being construed as bullish for stocks, and it would be wonderful if stocks can gain on their own, so to speak, such as better earnings from companies, which we have seen during this third-quarter reporting period, and also better economic numbers, which have been a mixed bag so far at best.

One interesting dynamic which we are seeing today, and which should calm those nervous bulls out there, is that the VIX is declining by a lower amount that it should be based on the +150 point Dow gain as this is being written. The VIX is down by only -66 points, which is much less than it should be for a Dow gain of this much. This certainly makes up for the fact that on Friday, the VIX declined by a large -1.24 when the Dow was up by only +17 as alluded to earlier. So for the two days taken together, there is a Dow advance of +167 and a VIX decline of -1.84, which is just about the way it should be.

The earnings season is winding down, with over 400 of the 500 S&P companies having already reported, but there are some important ones this week and here is the lineup – today: DISH, ERTS, FLR, PCLN, ROK; Tuesday: BZH, BOBE, CYD, FOSL, WTW; Wednesday: AMAT, DNDN, M; Thursday: ATK, KSS, JWN, URBN, Dow components DIS and WMT; Friday: ANF, A, JCP. One can see that the list is heavily weighted with retailers, which always report late in the earning season.

This week's economic numbers are on the light side, and this is a relief after all of the drama of the Fed statement and the jobs report last week – Friday: September trade balance and U. of Michigan mid-November Consumer confidence Survey.

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Of the 410 S&P companies that have reported so far for the third quarter, 84% of them have beaten the estimates, and this will be a record high for any one quarter.

So far in the third quarter, profits are down -18%. During the second quarter, profits declines for stocks in the S&P 500 were -29%. This is after a first quarter decline of -33%. According to the analysts, the expectation is for a rousing gain of +63% for the fourth quarter, when the comparisons to the fourth quarter of 2008 should be somewhat easy to overcome. The only problem with this projected gain is that the bulk of it is supposed to come from financials, because the comparisons to the disastrous 4Q of 2008 should allow for good upside. According to the analysts, for 2010, earnings are projected to increase by +26%, followed by earnings increases of +22% in 2011.

We have now seen eight straight quarters of profit declines for companies in the S&P 500, starting with the last two quarters of 2007, all four quarters of 2008 and the first two quarters of 2009. According to Bloomberg Financial, earnings have never been down for eight consecutive quarters. If earnings do come in lower for the third quarter of 2009, this will be the first time ever that there have been nine consecutive quarterly profit declines.

We now have four consecutive quarters of negative G.D.P. growth which started in the third-quarter of 2008, and has now extended through the first two quarters of 2009. Projections for the third quarter are for growth in the +2.7 to 3.2% range. This is the first time that there have been four straight quarters of negative growth since records have been kept since 1947.

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### 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.*