

**Daily Market Notes****Market Update:****DAILY MARKET NOTES – March 1, 2010****DJIA:** 10394**S&P 500:** 1114**Nasdaq:** 2269**10YR T-Note:** 3.59%**EUR/USD:** 1.354**Gold** 1117**Crude Oil:** 78.74Prices Current as of  
1:32 PM

Source: Bloomberg

The last trading day for the month of February on Friday was highlighted by no less than five economic reports, and for a change four of them came in close to the estimates, and only one was of the “unexpected” variety, namely another sharp decline in January existing homes sales, the second largest monthly decline ever. This followed the “unexpected” decline in new home sales earlier in the week, so this report should not have come as a surprise. The other four reports, on fourth-quarter G.D.P., Chicago Purchasing Managers, U. of Michigan Consumer Sentiment and the N.A.P.M. Milwaukee Purchasing Managers Survey, all came in near consensus.

As a result, the market chopped around between small gains and small losses, with the Dow declining by as much as -49 points in a knee-jerk negative reaction to the home sales report, and gaining by as much as +32 points during the afternoon. The only drama came near the close, and what else is one to expect on a last trading day of the month session, when the Dow, which had been up by +27 points at 3:54pm, went into a bit of a last minute maneuvered dive to end with a closing gain of only +4 points.

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But just to prove how this late little dip was artificial, right after stocks closed at 4pm, the various stock index futures once again rallied to close above fair value by their 4:15pm close, indicating an opening gain today of around +30 Dow points. But just to add to the intrigue, on the last trading day of the month, the futures must be settled at their fair value, so this meant that the futures settling price was actually lower than where they were trading at. But to those who follow these dynamics like myself, it was obvious that today would be an up day because that was the very late indication despite the fact that they had to settle at a neutral level when they really should have been settled higher. This suggested the strong probability of a better start today assuming nothing disastrous took place over the weekend or before the opening this morning.

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For the entire month of February, the market did nicely, with the S&P putting in its best February performance in 12 years with a gain of +2.9%, while the Dow added +2.6% and the Nasdaq was ahead by +4.2%. The Russell 2000 Index of small stocks was the best performer, with a gain of +4.4%. So these gains did neutralize to some extent the fact that January was a down month, which led to the endless debate about the old January Effect and its predictability about the performance of stocks for the balance of the year.

And sure enough, the late upward spurt by the various stock index futures on Friday turned out to be a good indication of what would take place today, as the four economic reports released this morning came in close to the consensus, with January personal spending rising for the fourth straight month and the February ISM Manufacturing Survey showing expansion for the seventh straight month. January Construction Spending and January personal income were close to consensus.

And other factors are being noted as responsible for the gains on another Monday when the market has a very strong propensity to advance. For instance, this is now the 19th time out of the past 22 first trading days of the week, going back to the first Monday of October, that the market has advanced, so when one sees these late Friday downdrafts, it has paid to be a buyer. These other factors are a takeover, sales of a unit of a leading insurer and a hostile bid for a biotech firm. And finally, let us make note of the fact that the Estonian stock market rose by +6%, the largest gain of any of the 93 stock markets in the world!

There was also some optimism regarding Greece, on reports that they might be nearing a deal with E.U. governments to make more budget cuts in exchange for some form of emergency aid. Ironically, the Euro is selling off sharply on this news, and this is somewhat unusual in the sense that it has recently rallied on optimism about any better news out of Greece. And once again, it did decline sharply to that support level around 1.345 before rallying back from that level, although it is still lower for the day.

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Also helping the market to maintain its gain is a strong Nasdaq/Dow ratio, and this is the result of very good performances from leading technology stocks in that index.

The first quarter earning season is virtually over, but we do hear from – tonight: ANN, DBRN; Tuesday: CTB, SPLS, AZO, CMX, KCP; Wednesday: BJ, CSIQ, DDS, JOYG, BIG, PETM, COST; Thursday: DLM, GCO, CIEN, URBN; Friday: CPRT, DKS. As usual, it is retailers of varying sorts that bring up the rear in the season.

Economic reports continue this week, leading up to the all-important jobs report on Friday – Tuesday: February domestic vehicle sales; Wednesday: February ISM Non-Manufacturing Survey, ADP jobs estimate, Fed Beige Book, Thursday: January factory orders, January pending home sales; Friday: February non-farm payrolls, January consumer credit.

The earnings season continues to be a good one, with over 70% of the 470 S&P companies that have reported so far having surpassed their earnings projections, and this compares to the historical percentage of 61% beating the numbers.

For the fourth quarter, the S&P companies are expected to show a profit gain of +90%, 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, as reported by Bloomberg Financial.

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 now have gotten two consecutive quarters of positive growth, with the third-quarter at +2.2%

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and the first estimate of G.D.P. growth for the fourth-quarter at +5.7%, according to the Commerce Department.

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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.*