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Daily Market Notes

Market Update :

DJIA:	**13282**
S&P 500:	**1420**
Nasdaq:	**3117**
10YR T-Note:	**2.17%**
EUR/USD:	**1.33**
VIX:	**15.17**
Gold:	**1681**
Crude Oil:	**104.58**

Prices Current as of 1:00 PM

Source: CNBC

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The first-quarter came to an end at Friday's close, and history will record it as being an excellent one for sure, as the S&P gained 12%, its best start to a year since 1998 and also its best quarterly showing since the third quarter of 2009. The Nasdaq did even better, advancing by 19%, its best start to a year since 1991 and its fourth-best first three months of the year start since this index was created in 1971. It was helped tremendously by the performance of AAPL, which rose by a mere 48%, and let us also remember that this stock alone makes up 12% of the weighting of the this index. And let us not forget the Dow, which was ahead by 7% for the quarter and in the process it recorded its sixth straight monthly gain.

The Dow started the day with a 55 point gain as a result of the February personal spending report showing the largest rise in seven months and the final March U. of Michigan Consumer Sentiment Survey that showed its largest rise in more than a year.

From these early highs, the Dow came right back down to a gain of only 3 points at its 10:45am low, then made just as rapid an upside turnaround to stay in a higher range for the remainder of the session before ending with a closing 66 point advance. That comedown from the early Dow highs was a function of the fact that the Nasdaq, for whatever reason, decided to sell off from its higher start and remained under some pressure all day, and it could have been end of the quarter profit-taking in some of its high-priced leaders such as you know who, in addition to AMZN, GOOG and PCLN.

Breadth numbers were positive at a 17/12 ratio and the VIX for a change did nothing, ending at 15.50, a nominal advance of .02. And naturally when the market rises, we had to have higher commodity prices as well, with crude oil and gold ending higher despite the fact that they did show declines for the week. The Euro advanced as well on the "risk-on" aspect of the better economic reports.

And what put a positive spin on the Euro was that Spain, under threat of becoming the next victim of the Euro debt crisis, agreed to raise taxes and cut spending that will achieve $27 billion Euros in deficit cuts as it tries to trim its budget gap by a third. In addition, the E.U. agreed to raise the rescue funding by $500 billion Euros.

After the stellar market performance during the first-quarter, we are now in the month of April, which has a very nice track record itself, as over the last 100 years, the Dow has advanced by 1.3% on average this month and has advanced 57% of the time. If one brings that history closer, the record becomes even better, as over the last 50 years the Dow has gained an average of 2.1% and has advanced by 2.9% on average in the past 20 years, which makes it the best performing month for the Dow during this time period.

At the start of the second-quarter today, the various stock index futures were higher last night on a report that Chinese manufacturing rose to the best level in a year, perhaps dampening the negative speculation that their economy was about to enter a slowing-down period. Then these various futures slipped into the minus column on a weak European manufacturing report, which resulted in the Dow starting out with a loss of as much as 58 points at its low.

Things then turned around to the upside after the March ISM Manufacturing Survey showed a better than anticipated advance, and this is all that a strong market needed to see, as from those pre-report lows, stocks made a nice upside turnaround, and as this is being written, the Dow is on its best level of the day with a gain of 73 points.

Breadth numbers are better than 3 to 1 to the upside, and the VIX is lower by .33 to 15.17, less than it should be and it is once again starting to approach that 14.30 support level, which does not want to be broken on the downside so far.

In a sense, the fact that the VIX is lower by about half of what it should be relative to the Dow's gains means that theoretically there is more room for the market to advance until that support level is in fact reached again.

And just to show how the market wants to go higher, the ISM report came in at 53.4 versus a prediction of 53, so what is the great difference here? This was higher versus 52.4 last month, which means that this is not a world-beating number, but similar to what happens on the downside when the actual number comes in just slightly below the consensus and the market tanks, this is a good example of how stocks want to latch onto any piece of "friendly" news to keep pushing to the upside. This strong move which is being attributed to this report is also noteworthy in the sense that it comes despite the February construction spending report declining to its lowest level in seven months, but never mind, because when the market wants to go higher, it will find any rationalization to do just that. And what makes the ISM report not so great is that both the new orders and export components declined, but never mind.

And naturally when crude oil and gold saw the upside equity turnaround, they also decided to join in the upside party after being lower early for no fundamental reason than that sick sycophantic relationship that has developed between stocks and commodities for the past few years, and once again, if a person thinks that this ongoing rise in crude oil prices is good for the economy, let them not forget that stocks topped out both in 2008 and last year when crude oil prices were also at their best levels of the year as well. The only good thing in this regard is that despite the rise in crude oil prices today, they are still below this year's highs, currently around $104.50 versus the 2012 high of over $110.

And for a nice change, the bond market is rallying today as well, sending yields lower as the 10-year Note is currently at 2.17%. The Federal Reserve bought $4.5 billion of notes in the first of four rounds of purchases over three days that equals the largest amount since December.

They are scheduled to purchase as much as $12 billion this week, ahead of Friday's release of the March jobs report.

As was mentioned in Friday's daily market notes, this week's holiday shortened week is going to be a strange one mainly because the March jobs report is going to be released on Friday when the markets are closed for the Good Friday observance. This means that everyone who will be observing that day or preparing for the first Passover Seder that evening will have to keep their eyes glued to the 8:30am release of this report and the bond market (which will be open because it is not a government holiday) reaction to it, and then instead of getting an immediate sense of joy or disappointment as the case may be in stocks on Friday morning, everyone will have the anxiety of knowing how equities are going to do on Monday to color their religious observances over the weekend, and won't that either be fun or gloom depending on how a person has positioned him or herself ahead of this report.

Other economic numbers include: Tuesday – February factory orders, minutes of the last F.O.M.C. meeting, domestic vehicle sales; Wednesday –ADP estimate for Friday's jobs report, March ISM Non-Manufacturing Survey; Thursday – weekly jobless claims and March chain store sales. Friday – the big one as mentioned above.

Now that we have passed the third anniversary of the bear market low earlier this month, there is a statistic which says that of the eight previous bull markets since 1928 lasting at least three years, which this one now has, seven rose in the fourth year (i.e. 2012), with an average gain of 14%.

The S&P trades at 14.5 times projected 2012 earnings of $104, which has been a major supporter of stocks lately. Earnings were $85 in 2010 and were $93 in 2011, according to the analysts who follow these companies. The estimate for 2013 is $107. The average P/E multiple for the S&P going back to 1954 has been 16.4.

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After four consecutive quarters of negative G.D.P. growth, we now have 10 consecutive quarters of positive growth, starting with the third-quarter of 2009, every quarter in 2010 and every quarter in 2011 as well. For 2011, G.D.P. rose at a 1.7% rate, and it is projected to grow by 2.2% in 2012, although estimates for this number vary widely and are constantly changing.

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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.