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AND THAT'S THE WEEK THAT WAS...

For the Week Ended March 5, 2010

Market Matters...

Market/Index	Year Close (2009)	Qtr Close (12/31/09)	Previous Week (02/26/10)	Current Week (03/05/10)	YTD Change
Dow Jones Industrial	10,428.05	10,428.05	10,325.26	10,566.20	1.32%
NASDAQ	2,269.15	2,269.15	2,238.26	2,326.35	2.52%
S&P 500	1,115.10	1,115.10	1,104.49	1,138.69	2.12%
Russell 2000	625.39	625.39	628.56	666.02	6.50%
Global Dow	1,984.48	1,984.48	1,891.56	1,960.23	-1.22%
Fed Funds	0.25%	0.25%	0.25%	0.25%	0 bps
10 yr Treasury (Yield)	3.85%	3.85%	3.60%	3.68%	-17 bps

While naysayers, gloom predictors, and “too far, too fast” talking heads remain all too prominent in the financial press, optimists returned to action this week as transaction announcements, better-than-expected economic news, and a promising package out of Greece pushed equities “into-the-black” for the year. Politicos managed to agree long enough to approve a jobs bill; the Fed gave a reasonably favorable review of the economic climate; and a decent earnings season drew to a close. Another week down; another month began; yet the uncertainty continues. (Get used to it.)

If biz transactions imply growing confidence in the board room, this week found some pretty cocky execs. **AIG** took baby-steps toward moving off of the gov’s dime by selling its Asian life insurance arm to **Prudential PLC** for \$35.5 billion. German **Merck KgaA** (unrelated to US Merck) expanded its global reach with a \$7 billion acquisition of biotech supplier **Millipore**. Fertilizer giant **CF Industries** re-upped its efforts to buy **Terra** with a new \$4.75 billion bid. Investment service provider **MSCI** plans to acquire **RiskMetrics** for \$1.5 billion. Chipmaker **Qualcomm** announced a share buyback program and increased its dividend. Still, **Facebook** remains confident enough to go at it alone as its chief exec continued to put off all talk of an IPO.

In earnings news, discounters **BJ Wholesale** and **Costco** posted nice profits and **Staples** reported increased same store sales for the first time in a year. In fact, the International Council of Shopping Centers reported that February brought the strongest monthly retail sales since November 2007, another sign of enhanced consumer activity. Interestingly enough, this positive data came despite some pretty harsh winter weather that kept shoppers confined to their homes and a recent surprisingly weak consumer confidence release. **Ford** surged past **GM** in terms of domestic car sales in February for the first time in over 10 years; however, the overall level of industry activity remained relatively weak as **Toyota** continued to struggle with poor PR over its significant recalls. In the “misery loves company” category, the automaker is no longer alone on an island as GM and **Nissan** announced recalls over power steering and/or brake-pedal issues. **Apple** delayed its iPad launch, but analysts don’t expect the new April 3 date to impact sales. Meanwhile, the company is suing **Google** smart-phone maker **HTC** over patent infringements.

While investors gleefully (too harsh?) accepted the transaction news, Fed comments, and some positive analysts’ upgrades (**Coca Cola**, **Boeing**, **Disney**), most were reserving judgment until the late-week release of unemployment data (see below). Fortunately, the labor news was deemed favorable and suddenly the economic recovery seemed back on track (at least for now). Investors resumed their bullish trek into riskier asset classes and the Dow pushed into positive territory for the year (and the other indexes followed suit as small-caps and techs enjoyed satisfying weeks). Despite a larger-than-expected increase in inventory levels, crude prices rose above \$81/barrel, a potentially alarming inflationary sign with the spring break travel season approaching. Another week down; another month began; lets keep those naysayers away for a while longer.

Economic Calendar

Date	Release	Comments
March 1	Personal Income/Spending (01/10)	Strong spending; weak income
	Construction Spending (01/10)	Overall decline though residential projects increased
	ISM (Manu) Index (02/10)	7 th straight month of sector growth
March 3	ISM (Services) Index (02/10)	Better than expected showing
	Fed Beige Book	Modest growth despite winter storms
March 4	Jobless Claims (02/27/10)	Slight decrease in latest reading
	Factory Orders (01/10)	9 th increase in past 10 months
March 5	Unemployment Rate (02/10)	Unchanged at 9.7%
	Non-farm Payroll (02/10)	Fewer than expected jobs lost despite harsh weather
	Consumer Credit (01/10)	Slight increase after 11 straight declines
The Week Ahead		
March 11	Jobless Claims (03/06/10)	
	Balance of Trade (01/10)	
March 12	Retail Sales (02/10)	

While Greece continued to request its lifeline, the European Union wanted the ailing country to go further in passing measures to “right its wrongs” and reduce its ballooning budget. This week, its government took some unpopular steps by raising taxes, cutting civil servants’ salaries, and freezing pensions. All told, the moves are expected to produce about \$6.5 billion in much needed budgetary support. Union workers took to the streets to protest the package, though the EU seemed satisfied (for now) that Greece is meeting its demands for more concrete actions. In other global news, China shared its 2010 budget as the third-largest global economy begins to unwind its prior stimulus actions, while still promising to fight inflation and rein in risky lending. The government also maintains its lofty goal of an 8% growth rate for 2010.

Closer to home, economists, analysts, traders, investors, policymakers, CNBC talking heads, and politicians alike (did I miss anyone?) patiently waited for the jobless data to decipher the current state of the labor market. Despite the harsh weather that blanketed much of the country (and kept would-be employees from their scheduled interviews), the unemployment rate held steady at 9.7% and only 36,000 nonfarm jobs were lost last month. (Ah...the collective breath of relief.) Still, most folks in-the-know expect any renewed hiring activity to be slow in developing as corporations emerge from the worst economic downturn since the Great Depression and are in no hurry to increase labor expenses. Elsewhere, manufacturing increased for the seventh straight month per the Institute for Supply Management (ISM), while factory orders surged on greater demand for commercial aircrafts (among others). The ISM also reported that the services sector experienced its best monthly showing since December 2007.

The Fed’s issued its Beige Book or summary of economic conditions within its 12 districts throughout the country. By and large, the policymakers claimed that the economy continued to expand “modestly” and may have even performed better over the past few weeks had the weather been more accommodating. According to the Fed, the pace of layoffs declined, manufacturing improved, and consumer activity was on the rise. The main problem areas per the reports were in real estate as both commercial and residential construction activity remained sluggish and loan demand continued to be weak across the country. (Then again, bank aren’t lending now anyway.)

On the Horizon...What no earnings? No economic data? Investors take a look at the calendars and wish they had scheduled spring break vacations. The earnings season has all but ended and the key data of the week seems restricted to the February retail sales report. Plus, with oil prices on the rise, folks would like to hit the highways while gas is still somewhat affordable. (OPEC meets again in mid-March.) Now that Greece has moved forward with a plan of action, investors are watching to see where the next shoe may fall. Spain? Portugal? Anywhere, but here.