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Market View Daily

INVESTMENT STRATEGY GROUP

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JANNEY MONTGOMERY SCOTT LLC

2010 Market Data		Prior CLOSE	LAST	CHANGE	% Daily	% YTD	% Jan.	% Feb	% Mar	% Apr	% May	% June	% July	% Aug	1st Qtr.	2nd Qtr.	3rd Qtr.
D J Industrials	.DJIA	9985.81	10150.65	164.84	1.65	(2.66)	(3.46)	2.56	5.15	1.40	(7.92)	(3.58)	7.08	(3.01)	4.11	(9.97)	3.85
S&P 500	SPX	1047.22	1064.59	17.37	1.66	(4.53)	(3.70)	2.85	5.88	1.48	(8.20)	(5.39)	6.88	(3.36)	4.87	(11.86)	3.29
NASDAQ Comp	COMP	2118.69	2153.63	34.94	1.65	(5.09)	(5.37)	4.23	7.14	2.64	(8.29)	(6.55)	6.90	(4.48)	5.68	(12.04)	2.10
SOX Index	SOX	315.23	321.79	6.56	2.08	(10.59)	(12.18)	7.21	8.18	2.59	(5.43)	(6.57)	4.97	(7.75)	1.85	(9.35)	(3.16)
Biotech Index	BTK	1050.09	1072.49	22.40	2.13	13.84	2.36	7.92	17.95	(2.34)	(12.25)	(2.74)	3.56	1.23	30.30	(16.66)	4.83
DJ Transports	.TRAN	4093.50	4184.90	91.40	2.23	2.08	(4.98)	6.14	5.81	6.77	(7.17)	(7.57)	10.36	(5.38)	6.71	(8.38)	4.42
DJ Utilities	.UTIL	385.37	392.46	7.09	1.84	(1.39)	(4.96)	(2.87)	3.11	2.41	(6.90)	(0.96)	7.77	1.80	(4.82)	(5.56)	9.71
Volatility Index	VIX	27.37	24.45	(2.92)	(10.67)	12.78	13.56	(20.80)	(9.79)	25.36	45.44	7.70	(31.96)	4.04	(18.87)	96.36	(29.21)
S&P Midcap 400	MID	718.88	734.30	15.42	2.15	1.05	(3.28)	5.06	6.98	4.20	(7.33)	(6.69)	6.82	(3.42)	8.70	(9.90)	3.17
S&P 100	.OEX	474.77	481.95	7.18	1.51	(6.25)	(3.70)	2.22	5.70	1.00	(8.74)	(5.15)	7.04	(3.72)	4.05	(12.57)	3.06
Gold ETF	GLD	120.96	121.01	0.05	0.04	12.77	(1.26)	3.27	(0.44)	5.88	3.05	2.36	(5.09)	4.78	1.53	11.68	(0.55)
Russell 1000 Index	.RUI	576.25	586.14	9.89	1.72	(4.23)	(3.69)	3.06	5.98	1.75	(8.13)	(5.72)	6.82	(3.29)	5.19	(11.87)	3.31
Russell 2000 Index	.RUT	599.76	616.76	17.00	2.83	(1.38)	(3.73)	4.41	7.97	5.59	(7.67)	(7.88)	6.79	(5.24)	8.51	(10.19)	1.19

DJIA -		LAST	CHANGE	YIELD	Impact DJIA	Dec. 31 2009	YTD- 2010 % G/L	1Q - 2010 % G/L	2Q - 2010 % G/L	3Q - 2010 % G/L
Caterpillar Inc.	CAT	65.90	1.95	2.67	14.74	56.99	15.63	10.28	(4.42)	9.71
Inter. Bus. Machines	IBM	124.73	1.95	2.09	14.74	130.90	(4.71)	(2.02)	(3.72)	1.01
United Technologies	UTX	66.57	1.52	2.55	11.49	69.41	(4.09)	6.05	(11.82)	2.56
Chevron	CVX	74.93	1.60	3.84	12.09	76.99	(2.68)	(1.51)	(10.51)	10.42
Hewlett-Packard	HPQ	38.00	(0.22)	0.84	(1.66)	51.51	(26.23)	3.18	(18.57)	(12.20)
3M Co.	MMM	81.00	1.22	2.59	9.22	82.67	(2.02)	1.09	(5.48)	2.54
Procter & Gamble	PG	59.80	0.26	3.22	1.96	60.63	(1.37)	4.35	(5.20)	(0.30)
Boeing Co.	BA	63.16	1.84	2.66	13.91	54.13	16.68	34.14	(13.58)	0.65
Intel Corp.	INTC	18.37	0.19	3.43	1.44	20.40	(9.95)	9.26	(12.74)	(5.55)
Exxon Mobil	XOM	59.80	1.32	2.94	9.98	68.19	(12.30)	(1.77)	(14.80)	4.78
Wal-Mart Stores	WMT	51.00	0.03	2.37	0.23	53.45	(4.58)	4.02	(13.54)	6.10
Kraft	KFT	30.00	0.58	3.87	4.38	27.18	10.38	11.26	(7.41)	7.14
McDonald's Corp.	MCD	73.99	0.83	2.97	6.27	62.44	18.50	6.85	(1.27)	12.33
American Express	AXP	40.91	1.18	1.76	8.92	40.52	0.96	1.83	(3.78)	3.05
Merck & Co. Inc.	MRK	35.00	0.52	4.34	3.93	36.54	(4.21)	2.22	(6.37)	0.09
Johnson & Johnson	JNJ	57.60	0.34	3.75	2.57	64.41	(10.57)	1.23	(9.42)	(2.47)
Home Depot Inc.	HD	28.74	0.36	3.29	2.72	28.93	(0.66)	11.82	(13.23)	2.39
Alcoa Inc.	AA	10.32	0.31	1.16	2.34	16.12	(35.98)	(11.66)	(29.35)	2.58
AT&T	T	26.94	0.24	6.24	1.81	28.03	(3.89)	(7.81)	(6.39)	11.37
Verizon	VZ	29.84	0.34	6.37	2.57	33.13	(9.93)	(6.37)	(9.67)	6.50
Cisco Systems	CSCO	20.81	0.11	0.00	0.83	23.94	(13.07)	8.73	(18.13)	(2.35)
Microsoft Corp.	MSFT	23.93	0.11	2.17	0.83	30.48	(21.49)	(3.90)	(21.41)	4.00
General Electric	GE	14.71	0.21	3.26	1.59	15.13	(2.78)	20.29	(20.77)	2.01
Coca-Cola Co.	KO	56.16	1.00	3.13	7.56	57.00	(1.47)	(3.51)	(8.87)	12.05
DuPont	DD	41.01	1.52	4.00	11.49	33.67	21.80	10.60	(7.12)	18.56
Bank America	BAC	12.64	0.17	0.32	1.28	15.06	(16.07)	18.53	(19.50)	(12.04)
Pfizer	PFE	16.09	0.19	4.48	1.44	18.19	(11.54)	(5.72)	(16.85)	12.83
Walt Disney Co.	DIS	32.78	0.84	1.07	6.35	32.25	1.64	8.25	(9.77)	4.06
Travelers	TRV	49.87	0.84	2.89	6.35	49.86	0.02	8.18	(8.69)	1.26
J.P. Morgan Chase	JPM	36.60	0.97	0.55	7.33	41.67	(12.17)	7.39	(18.19)	(0.03)

Foreign markets were higher overnight, but futures had a modestly negative bias this morning.

The reports on personal income and spending did not alter the negative bias.

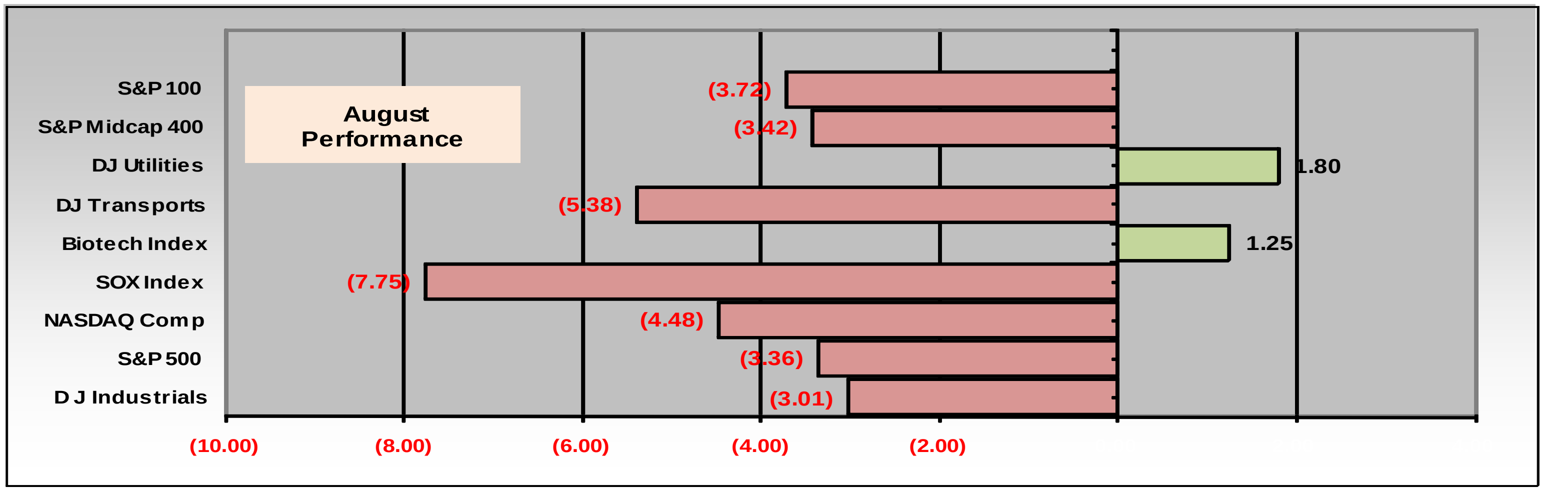
Personal income rose 0.2 percent, which matched expectations, and **spending** increased 0.4 percent compared with an estimated 0.3 percent rise.

		1 Day	MTD	QTD	YTD
S&P 500	9,649,653.95	1.66%	-3.36%	3.29%	-4.53%
Cons Disc	991,633.85	1.55%	-2.43%	5.12%	2.72%
Industrials	1,022,508.84	2.11%	-5.50%	4.23%	2.21%
Cons Staples	1,126,764.02	0.65%	-0.95%	4.83%	0.37%
Utilities	374,386.12	1.90%	1.91%	9.40%	-0.68%
Telecom Svc	309,360.64	0.82%	2.35%	10.46%	-1.68%
Financials	1,533,018.73	2.34%	-6.67%	-0.50%	-4.68%
Materials	347,244.67	2.93%	-1.81%	10.21%	-4.88%
Health Care	1,125,967.59	0.96%	-0.28%	0.98%	-8.87%
Energy	1,051,126.29	2.75%	-3%	4.74%	-9.05%
Info Tech	1,767,643.20	1.18%	-5.53%	1.23%	-9.90%

The major corporate news was **Sanofi-Aventis' (SNY)** hostile offer to acquire **Genzyme (GENZ).** Genzyme rejected the offer. Genzyme's stock was indicated to trade above Sanofi's $67 a share cash offer on the premise that it will take a higher offer to get a deal done.

By 10:15 the Dow was down about 40 points. Crude oil was lower as were most commodities. The yield on the ten-year Treasury note was 2.59 percent.

The battle between **Hewlett-Packard (HPQ)** and **Dell (DELL)** to acquire **3Par (PAR)** still is unresolved. Both Dell and Hewlett-Packard were higher early today.



This week has a heavy calendar of economic releases, some of which clearly hold the potential to move the market. High on this list are the data from the Chicago Purchasing Managers (tomorrow) and the ISM Index release on Wednesday. Friday's employment report, however, probably trumps everything else as the market is sharply focused on employment and most specifically non-farm payrolls.

While the market's near-term focus this week may be on the implications of the economic data, a more overriding issue has been driving investors' actions.

It has been widely reported that money has been leaving equity-based funds in favor of bond funds. This is a clearly understandable shift in the context of what traditional savings vehicles like CDs, money market funds and Treasury paper yield. Throw in general economic concerns and investors have moved away from stocks and into what they view as safe ways to increase their income flows.

The bias away from stocks clearly was evident in the recent release from the American Association of Individual Investors survey that showed the third highest percentage of bearish investors recorded this year.

For several months we repeatedly have stated our premise that portfolios should be structured heavily toward well-known companies with solid balance sheets, well-covered dividends and a history of the ability and willingness to increase their cash dividends.

This premise has its roots in two key points - the recognition of declining income rates and the erroneous perception that by moving away from stocks that investors dramatically have lowered their risk profiles.

Aside from the possibility that this massive outflow from equity funds into bond-oriented funds may be a key contrarian market indicator, investors drastically shifting money into bonds are not considering rate risk.

The ten-year Treasury note this morning had a 2.6 percent yield. This low rate level largely has been driven as investors have bid up the price of the notes due to large-scale buying motivated by fear.

It is worth noting that if the "fear trade" disappears even temporarily the yield of a ten-tear Treasury could rise suddenly and sharply. For example if the yield on this note over the next six months went to four percent - a rate it has had many times within this year - its price would fall about eleven percent.

More importantly the rate on this bond is fixed at the time it is bought. There will be no income increase ever.

While the ownership of a common stock with a currently well-covered dividend is no guarantee that there never will be a dividend cut, over many years of widely varying economic conditions numerous firms have shown the ability not only to sustain their dividends but also to increase them.

Overall inflation as measured by the CPI or other means may not be a concern now, but most people have seen prices for basic goods and services rise. Owning securities that have the potential to increase their cash flow to shareholders is appealing as an inflation hedge. This is provides a form of a safety net if the overall market remains in the doldrums for a period - a premise outlined in our August Investment Perspectives report.

In addition the move from stocks to bonds has created valuations on many stocks that on their own would be sufficient to merit buying them even if income was not a consideration.

More often than not when an extreme amount of investment money flows in one direction the move is wrong. We sense that we may be at or near the point where huge amounts of money are leaning too heavily toward fixed debt instruments. The worst risk is the one you do not consider or recognize. In our view too many investors do not see the potential risks of overly allocating assets into fixed-debt instruments at the expense of their equity holdings.

As outlined in one of the Market View Daily reports last week, employing the concept of dollar cost average would be an excellent way to build positions gradually.

Through the last few months using information and support from our own research department and those from our major research correspondents we have assembled various lists of stocks that fit our basic theme. We would suggest contacting your JMS representative who can discuss these lists with you in the context of your own investment objectives and risk tolerance levels.

As noted previously in this report, this week has a busy schedule of economic releases. The fact that we are heading toward the Labor Day weekend adds another elements of uncertainty since volume is likely to slow, which could produce greater than normal volatility.

A key issue going forward is that as of this Wednesday there will be 63 days until Election Day. The results of the mid-term elections this year may be more influential than they have been in many years. As we have noted in prior reports, the evidence of what the market does during the third year of the presidential election cycle argues that at some relatively near-term point the market could post an interim low that could lead to a major rally that extends well into 2011.

Ironically, should this happen, the error of excessively allocating assets to bonds might be evident dramatically sooner than even investors that recognize the potential rate risk might suspect.

Have a great start to the week.

Additional items from Friday

Intel Corp. (INTC, $18.18) cut its 3Q revenue guidance to $10.8-$11.2 billion (from $11.2-$12bln) citing weaker than expected demand for PCs in mature markets. The company also cut its gross margin forecast to 65-67% (from 67% +/- a couple of points). Despite losses following the press release, shares finished up 1.05%.

Hewlett-Packard (HPQ, $38.22) fell 0.58% after raising its bid for PAR to $2 billion ($30/sh), less than three hours after **Dell Inc. (DELL,** $11.75) announced PAR had accepted its offer of $27/sh. DELL and PAR advanced 1.17% and 24.70% respectively.

Tiffany & Co. (TIF, $42.04) beat on the bottom line, but declined 3.16% as it posted lower than expected revenue due to weak demand in the US. Sales rose 9.2% to $668.8 million. Management said it sold fewer items priced at less than $500, while higher-priced items sold well and boosted the average transaction size. TIF raised its full year EPS guidance to $2.60-$2.65 (from $2.55-$2.60) and reaffirmed its revenue growth guidance.

Charles River Laboratories (CRL, $28.90) gained 0.73% after announcing it has implemented an accelerated stock repurchase program of $300 million in common stock, as part of its previously announced $500 million buyback program. The repurchase will be funded with cash on hand and available liquidity, including a $750 million credit facility.

Healthspring Inc. (HS, $18.39) advanced 11.47% as it agreed to acquire Bravo Health Inc. for $545 million to expand into the Philadelphia market. The transaction is expected to close before the end of the year and will be funded through cash and debt under an amended revolving credit facility and new term loans. In addition, the deal is expected to be $0.20 dilutive to 2010 EPS and $0.45-$0.55 accretive to 2011 EPS