Janney Montgomery Scott, LLC

Market View Daily

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2012		Prior			%	%	%	%	%
Market Data		CLOSE	LAST	CHANGE	Daily	YTD	Jan.	Feb.	1st Qtr.
D J Industrials	.DJIA	12632.91	12716.46	83.55	0.66	4.08	3.40	0.66	4.08
S&P 500	SPX	1312.41	1324.09	11.68	0.89	5.29	4.36	0.89	5.29
NASDAQ Comp	COMP	2813.84	2848.27	34.43	1.22	9.33	8.01	1.22	9.33
SOX Index	SOX	408.94	418.74	9.80	2.40	14.90	12.21	2.40	14.90
Biotech Index	BTK	1322.04	1357.43	35.39	2.68	24.37	21.13	2.68	24.37
DJ Transports	.TRAN	5319.14	5343.10	23.96	0.45	6.44	5.97	0.45	6.44
DJ Utilities	.UTIL	448.84	450.91	2.07	0.46	(2.96)	(3.41)	0.46	(2.96)
Volatility Index	VIX	19.44	18.55	(0.89)	(4.58)	(20.73)	(16.92)	(4.58)	(20.73)
S&P Midcap 400	MID	936.51	954.47	17.96	1.92	8.57	6.52	1.92	8.57
S&P 100	.OEX	593.83	598.02	4.19	0.71	4.77	4.04	0.71	4.77
Gold ETF	GLD	169.31	169.56	0.25	0.15	11.56	11.40	0.15	11.56
Russell 1000 Index	RUI	726.33	733.50	7.17	0.99	5.79	4.76	0.99	5.79
Russell 2000 Index	RUT	792.82	809.66	16.84	2.12	9.28	7.00	2.12	9.28

Still waiting

Futures had a modestly negative bias very early today, but they gradually inched higher thanks to some of this morning's economic reports.

The main report that helped pre-opening futures was on **initial unemployment benefit claims** that at 367,000 were slightly less than expected and 12,000 less than the prior week. Continuing claims also were lower.

The **Challenger, Gray and Christma**s report on job cuts, however, was not as welcome as the report showed 53,400 job cuts last month compared with 41,785 in the prior month.

Productivity dropped off notably from where it was a month ago, but it was in line with expectations. **Unit labor costs** rose more than anticipated, which was consistent with the lower productivity rate.

The most recent tally of the American Association of Individual Investors showed a 4.6 point drop in the percentage of bullish respondents and a 6.2 point rise in the bearish percentage.

Retail sales reports were mixed. *(Charts relecting some of today's reports are on the next page of this report)*

Hasbro (HAS) joined a growing list of companies that have raised their cash dividends. Today Hasbro upped its dividend by 20.0 percent. At least 35 companies in the S&P 500 have announced dividend increases so far this year.

The market was mixed to slightly positive in early trading as most of the focus was on Friday's employment report.

Mid-morning today, Federal Reserve chairman Ben Bernanke testified before the House Committee on the Budget. Bernanke's prepared remarks initially focused on current events surrounding the economy that included the assessment that some items that have inhibited business investment may be receding.

However, later in his presentation the Chairman reiterated a point he has made many times in the last two years. This specific reference was including in the section of his remarks reprinted below.

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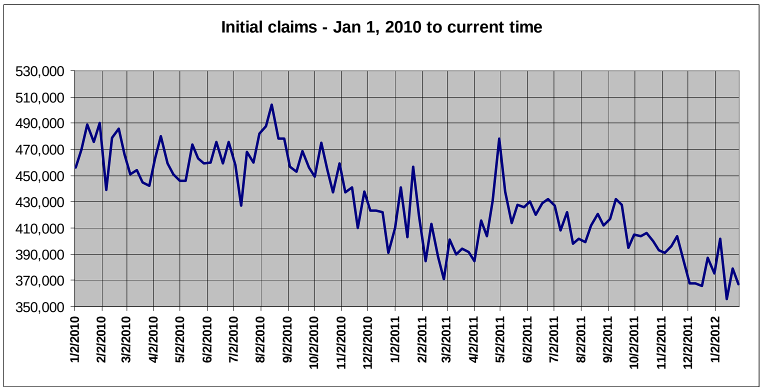
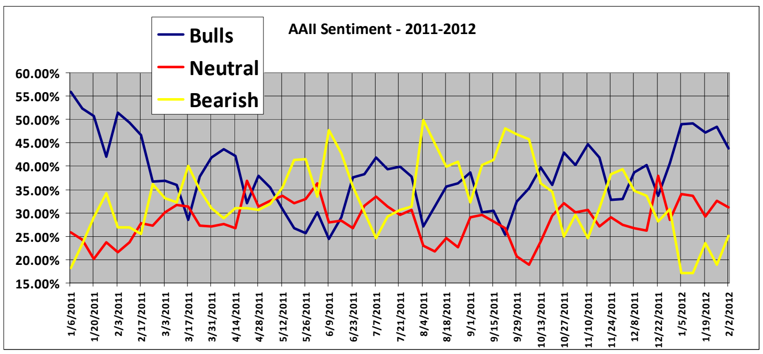
"In the remainder of my remarks, I would like to briefly discuss the fiscal challenges facing your Committee and the country. The federal budget deficit widened appreciably with the onset of the recent recession, and it has averaged around 9 percent of gross domestic product (GDP) over the past three fiscal years. This exceptional increase in the deficit has mostly reflected the automatic cyclical response of revenues and spending to a weak economy as well as the fiscal actions taken to ease the recession and aid the recovery. As the economy continues to expand and stimulus policies are phased out, the budget deficit should narrow over the next few years.





Retail sales sampler	
Abercrombie & Fitch Q4 comps flat	Macy's January comps up 2.4%
AnnTaylor Q4 total comps up 5%	Neiman Marcus Q2 comps up 9.0%
Bon-Ton Stores Jan same store sales down 3.5%	Nordstrom January comps up 5.0%
Buckle Jan same store sales up 7.4%	Ross Stores January comps up 5.0%
Cato Corp January comps down 6.0%	Saks Jan same store sales up 10.5%
Costco Jan same store sales up 8.0%	Stage Stores January comps fell 0.1%
Fred's January comps up 0.8%	Stein MartJan same store sales fell 3.9%
Gap Jan same store sales down 4.0%	Target Jan same store sales up 4.3%
Kirklands Q4 comps up 1.4%	TJX Companies January comps up 7.0%
Kohl's January comps up 0.6%	Wet Seal January comps down 13.0%
Limited Brands anuary comps up 9.0%	Zumiez Jan same store sales up 10.8%

1-Feb	Market cap	1 Day	MTD	QTD	YTD
S&P 500	11,984,195.50	0.89%	0.89%	5.29%	5.29%
Materials	447,317.28	1.04%	1.04%	12.22%	12.22%
Financials	1,703,928.18	1.65%	1.65%	9.74%	9.74%
Info Tech	2,349,300.23	0.93%	0.93%	8.58%	8.58%
Industrials	1,315,561.47	1.10%	1.10%	8.09%	8.09%
Cons Disc	1,289,930.20	0.31%	0.31%	6.18%	6.18%
Health Care	1,402,552.21	0.97%	0.97%	3.96%	3.96%
Energy	1,422,934.46	0.46%	0.46%	1.95%	1.95%
Cons Staples	1,300,795.32	0.75%	0.75%	-0.96%	-0.96%
Telecom Svc	326,294.97	0.70%	0.70%	-3.26%	-3.26%
Utilities	425,581.18	0.38%	0.38%	-3.30%	-3.30%

Unfortunately, even after economic conditions have returned to normal, the nation will still face a sizable structural budget gap if current budget policies continue. Using information from the recent budget outlook by the Congressional Budget Office, one can construct a projection for the federal deficit assuming that most expiring tax provisions are extended and that Medicare's physician payment rates are held at their current level. Under these assumptions, the budget deficit would be more than 4 percent of GDP in fiscal year 2017, assuming that the economy is then close to full employment. Of even greater concern is that longer-run projections, based on plausible assumptions about the evolution of the economy and budget under current policies, show the structural budget gap increasing significantly further over time and the ratio of outstanding federal debt to GDP rising rapidly. This dynamic is clearly unsustainable.

These structural fiscal imbalances did not emerge overnight. To a significant extent, they are the result of an aging population and, especially, fast-rising health-care costs, both of which have been predicted for decades. Notably, the Congressional Budget Office projects that net federal outlays for health-care entitlements--which were about 5 percent of GDP in fiscal 2011--could rise to more than 9 percent of GDP by 2035.3 Although we have been warned about such developments for many years, the time when projections become reality is coming closer.

Having a large and increasing level of government debt relative to national income runs the risk of serious economic consequences. Over the longer term, the current trajectory of federal debt threatens to crowd out private capital formation and thus reduce productivity growth. To the extent that increasing debt is financed by borrowing from abroad, a growing share of our future income would be devoted to interest payments on foreign-held federal debt. High levels of debt also impair the ability of policymakers to respond effectively to future economic shocks and other adverse events.

Even the prospect of unsustainable deficits has costs, including an increased possibility of a sudden fiscal crisis. As we have seen in a number of countries recently, interest rates can soar quickly if investors lose confidence in the ability of a government to manage its fiscal policy. Although historical experience and economic theory do not indicate the exact

Additional News from Yesterday

Amazon.com (AMZN, $194.44) dropped 7.79% after reporting EPS of $0.38 (vs consensus $0.17) and revenue up 35%, to $17.43 billion (vs consensus $18.3 billion). Management guided current quarter operating income of $-200 to $100 million and revenue of $12 - $13.4 billion (vs consensus $13.42 billion).

Broadcom (BRCM, $34.34) advanced 7.89% after reporting adjusted EPS of $0.68 (vs consensus $0.64) and revenue down 6%, to $1.82 billion (vs consensus $1.81 billion). Management guided 1Q revenue of $1.7 - $1.8 billion (vs consensus $1.73 billion) and announced it raised its quarterly dividend to $0.10 (from $0.09), payable on March 5.

CH Robinson (CHRW, $68.84) missed the street by a penny and reported revenue up 10%, to $2.57 billion (vs consensus $2.63 billion), owing to high fuel costs. The company reported truckload volume increase of 7%, and truckload pricing (excluding fuel) increase of 3%. Shares fell 7.05%.

Dendreon (DNDN, $13.58) advanced 4.72% after naming John H. Johnson as president and CEO, replacing Mitchell Gold. Gold will become executive chairman until June 30, when he will also be replaced by Johnson.

JDA Software Group (JDAS, $29.47) reported adjusted EPS of $0.65, in line with consensus, and revenue of $174.2 million (vs consensus $172.8 million). The company said the SEC requested information related to revenue recognition and other accounting and financial reporting matters for some past fiscal years. Shares tumbled 17.24%.

threshold at which the perceived risks associated with the U.S. public debt would increase markedly, we can be sure that, without corrective action, our fiscal trajectory will move the nation ever closer to that point.

To achieve economic and financial stability, U.S. fiscal policy must be placed on a sustainable path that ensures that debt relative to national income is at least stable or, preferably, declining over time. Attaining this goal should be a top priority."

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In our view Bernanke focused on what is the biggest long-term headwind facing the U.S. economy.

In a report last week the chief economist at Credit Suisse discussed the budget situation and included an alarming statistic - "The Congressional Budget Office projected that the cost of entitlements plus interest payments would absorb 100% of tax revenues in the United States." The time frame for this potentiality was 2024, a mere 12 years from now.

An added concern is what would happen if interest rates rise, which would push the cost of financing the deficit higher - potentially dramatically higher. It will be very unfortunate if the issue the credit Suisse economist and Chairman Bernanke raise is not a key component of the presidential election debate.

For the very short-term, the market is bouncing in a narrow range without strong indications of which direction it is likely to head.

Yesterday the S&P 500 tried but failed to move above its most recent peak at 1333.47. Early today it was making another attempt at reaching this level, but by 11:30 it still was six points below it.

Slipping below 1317 could prompt a deeper slide to around 1290 and if that fails to hold, sliding to 1250-1260 is entirely possible.

On the other hand making it above 1333.47 could rejuvenate the market sufficiently to move the S&P 500 toward 1350-1370.

The fact that the 50-day moving average recently crossed above the 200-day moving average has positive intermediate-term implications, but it does rule out the potential of a pullback before realizing the potential benefits of this normally positive technical development.

For the time being we are adopting a wait and see attitude. If the market does slip back, however, we would look to add to positions into the pullback.

Keep an eye open for news about the restructuring of Greek debt. The hope that something concrete would be released yesterday did not materialize. Again today there have been comments from Greece that a deal is on the near-term horizon. Unless something surfaces on the Greek situation, tomorrow's employment report is the key item remaining this week.

Have a great day.