

September 3, 2010

Market View Daily

INVESTMENT STRATEGY GROUP

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JANNEY MONTGOMERY SCOTT LLC

2010 Market Data	Prior	LAST	CHANGE	% Daily	% YTD	% Jan.	% Feb	% Mar	% Apr	% May	% June	% July	% Aug	% Sep	1st Qtr.	2nd Qtr.	3rd Qtr.	
D J Industrials	.DJIA	10269.47	10320.10	50.63	0.49	(1.04)	(3.46)	2.56	5.15	1.40	(7.92)	(3.58)	7.08	(4.31)	3.05	4.11	(9.97)	5.59
S&P 500	SPX	1080.29	1090.10	9.81	0.91	(2.24)	(3.70)	2.85	5.88	1.48	(8.20)	(5.39)	6.88	(4.74)	3.89	4.87	(11.86)	5.76
NASDAQ Comp	COMP	2176.84	2200.01	23.17	1.06	(3.05)	(5.37)	4.23	7.14	2.64	(8.29)	(6.55)	6.90	(6.24)	4.07	5.68	(12.04)	4.30
SOX Index	SOX	316.75	323.32	6.57	2.07	(10.17)	(12.18)	7.21	8.18	2.59	(5.43)	(6.57)	4.97	(11.85)	5.15	1.85	(9.35)	(2.70)
Biotech Index	BTK	1093.43	1111.95	18.52	1.69	18.03	2.36	7.92	17.95	(2.34)	(12.25)	(2.74)	3.56	0.11	4.83	30.30	(16.66)	8.69
DJ Transports	.TRAN	4283.41	4342.03	58.62	1.37	5.91	(4.98)	6.14	5.81	6.77	(7.17)	(7.57)	10.36	(6.79)	5.32	6.71	(8.38)	8.34
DJ Utilities	.UTIL	397.36	396.87	(0.49)	(0.12)	(0.29)	(4.96)	(2.87)	3.11	2.41	(6.90)	(0.96)	7.77	0.89	2.03	(4.82)	(5.56)	10.94
Volatility Index	VIX	23.89	23.19	(0.70)	(2.93)	6.96	13.56	(20.80)	(9.79)	25.36	45.44	7.70	(31.96)	10.85	(10.98)	(18.87)	96.36	(32.86)
S&P Midcap 400	MID	745.96	755.80	9.84	1.32	4.01	(3.28)	5.06	6.98	4.20	(7.33)	(6.69)	6.82	(5.08)	4.73	8.70	(9.90)	6.19
S&P 100	.OEX	489.04	492.50	3.46	0.71	(4.20)	(3.70)	2.22	5.70	1.00	(8.74)	(5.15)	7.04	(4.96)	3.53	4.05	(12.57)	5.31
Gold ETF	GLD	121.69	122.29	0.60	0.49	13.96	(1.26)	3.27	(0.44)	5.88	3.05	2.36	(5.09)	5.71	0.17	1.53	11.68	0.50
Russell 1000 Index	.RUI	594.86	600.62	5.76	0.97	(1.86)	(3.69)	3.06	5.98	1.75	(8.13)	(5.72)	6.82	(4.69)	3.97	5.19	(11.87)	5.86
Russell 2000 Index	.RUT	624.99	632.26	7.27	1.16	1.10	(3.73)	4.41	7.97	5.59	(7.67)	(7.88)	6.79	(7.50)	5.02	8.51	(10.19)	3.74

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	68.54	0.38	2.57	2.87	56.99	20.27	10.28	(4.42)	14.10
Inter. Bus. Machines	IBM	125.04	(0.73)	2.08	(5.52)	130.90	(4.48)	(2.02)	(3.72)	1.26
United Technologies	UTX	67.44	0.07	2.52	0.53	69.41	(2.84)	6.05	(11.82)	3.90
Chevron	CVX	77.45	0.68	3.72	5.14	76.99	0.60	(1.51)	(10.51)	14.13
Hewlett-Packard	HPQ	39.68	0.47	0.81	3.55	51.51	(22.97)	3.18	(18.57)	(8.32)
3M Co.	MMM	81.87	0.86	2.57	6.50	82.67	(0.97)	1.09	(5.48)	3.65
Procter & Gamble	PG	60.07	0.27	3.21	2.04	60.63	(0.92)	4.35	(5.20)	0.15
Boeing Co.	BA	63.39	1.10	2.65	8.31	54.13	17.11	34.14	(13.58)	1.02
Intel Corp.	INTC	18.28	0.14	3.45	1.06	20.40	(10.39)	9.26	(12.74)	(6.02)
Exxon Mobil	XOM	61.06	0.15	2.88	1.13	68.19	(10.46)	(1.77)	(14.80)	6.99
Wal-Mart Stores	WMT	51.76	0.56	2.34	4.23	53.45	(3.16)	4.02	(13.54)	7.68
Kraft	KFT	30.35	(0.03)	3.82	(0.23)	27.18	11.66	11.26	(7.41)	8.39
McDonald's Corp.	MCD	75.02	0.48	2.93	3.63	62.44	20.15	6.85	(1.27)	13.89
American Express	AXP	40.88	(0.19)	1.76	(1.44)	40.52	0.89	1.83	(3.78)	2.97
Merck & Co. Inc.	MRK	35.35	(0.27)	4.30	(2.04)	36.54	(3.26)	2.22	(6.37)	1.09
Johnson & Johnson	JNJ	58.61	0.32	3.69	2.42	64.41	(9.00)	1.23	(9.42)	(0.76)
Home Depot Inc.	HD	29.41	0.74	3.21	5.59	28.93	1.66	11.82	(13.23)	4.77
Alcoa Inc.	AA	10.83	0.31	1.11	2.34	16.12	(32.82)	(11.66)	(29.35)	7.65
AT&T	T	27.40	0.05	6.13	0.38	28.03	(2.25)	(7.81)	(6.39)	13.27
Verizon	YZ	30.11	(0.15)	6.31	(1.13)	33.13	(9.12)	(6.37)	(9.67)	7.46
Cisco Systems	CSCO	20.52	0.26	0.00	1.96	23.94	(14.29)	8.73	(18.13)	(3.71)
Microsoft Corp.	MSFT	23.94	0.04	2.17	0.30	30.48	(21.46)	(3.90)	(21.41)	4.04
General Electric	GE	15.15	0.14	3.17	1.06	15.13	0.13	20.29	(20.77)	5.06
Coca-Cola Co.	KO	57.38	0.07	3.07	0.53	57.00	0.67	(3.51)	(8.87)	14.49
DuPont	DD	42.09	0.09	3.90	0.68	33.67	25.01	10.60	(7.12)	21.68
Bank America	BAC	13.28	0.07	0.30	0.53	15.06	(11.82)	18.53	(19.50)	(7.59)
Pfizer	PFE	16.40	0.12	4.39	0.91	18.19	(9.84)	(5.72)	(16.85)	15.01
Walt Disney Co.	DIS	33.91	0.40	1.03	3.02	32.25	5.15	8.25	(9.77)	7.65
Travelers	TRV	50.22	(0.09)	2.87	(0.68)	49.86	0.72	8.18	(8.69)	1.97
J.P. Morgan Chase	JPM	38.16	0.42	0.52	3.17	41.67	(8.42)	7.39	(18.19)	4.23

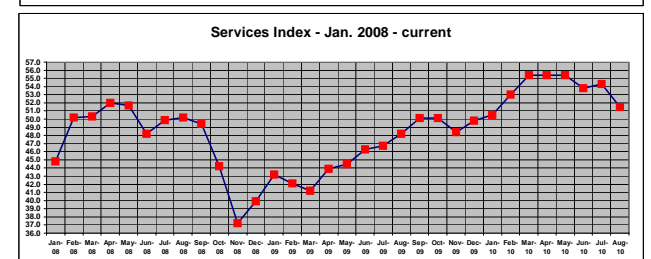
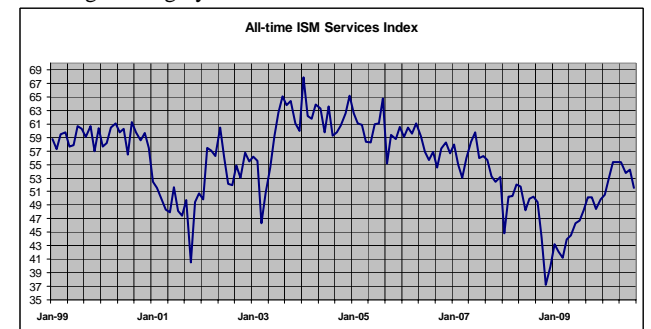
Futures ahead of the 8:30 AM employment report hovered around a breakeven. They moved sharply higher after the release of the report.

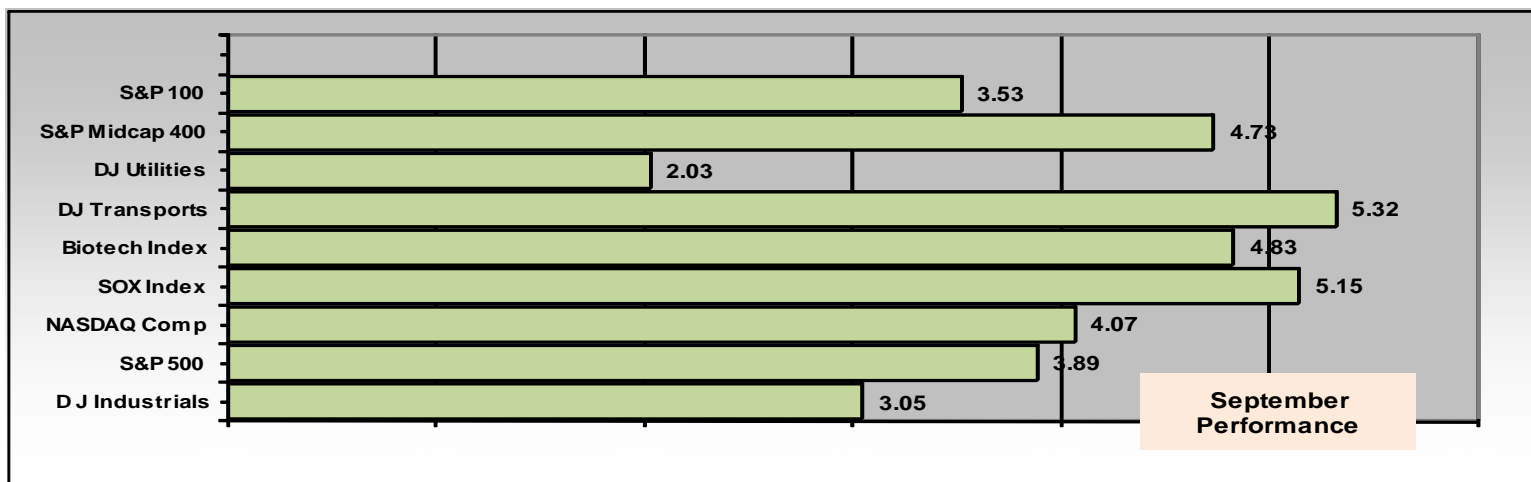
Overall non-farm payrolls fell 54,000, but this was less than half the expected drop and the prior month's job loss number was cut.

Private sector employment increased 67,000 and there was a net upward revision of 123,000 for the prior two months. In addition hourly wages increased slightly more than anticipated.

The rapid move up in futures suggested that the Dow would open with a triple-digit gain. Half an hour into the day the Dow was up 130 points.

At 10 AM the **ISM Services Index**, reported at 10 AM, was 51.5 compared with a reading of 54.3 last month. This report cut the Dow's gain roughly in half.





In a 10 AM press conference the President reiterated his support for additional business tax cuts as well as an extension of tax cuts for the middle class, investment in clean energy research and development, and infrastructure improvement. There had been speculation that he might propose a withholding tax moratorium, but this was not mentioned in his remarks.

The payroll news this morning prompted a quick move higher, but the progress on job growth still is well shy of what is needed merely to stay even with population growth. The data reported today suggests that progress on bringing the jobless rate down will remain slow for months.

2-Sep	Market cap	1 Day	MTD	QTD	YTD
S&P 500	9,886,225.46	0.91%	3.89%	5.76%	-2.24%
Cons Disc	1,026,048.57	1.80%	5.23%	8.76%	6.28%
Industrials	1,055,130.86	1.31%	5.23%	7.55%	5.47%
Cons Staples	1,144,564.68	0.57%	2.23%	6.49%	1.96%
Utilities	373,402.28	-0.16%	2.04%	10.51%	0.33%
Telecom Svc	314,790.25	0.22%	1.85%	12.40%	0.05%
Financials	1,585,923.37	0.95%	4.84%	2.93%	-1.39%
Materials	362,623.03	1.07%	3.99%	13.39%	-2.13%
Energy	1,084,395.76	0.87%	4.55%	7.57%	-6.59%
Health Care	1,140,398.41	0.56%	2.84%	2.27%	-7.70%
Info Tech	1,798,948.24	0.90%	3.59%	3.03%	-8.31%

In our view it is not merely coincidental that the market's recent rally began after a successful retest of support for the S&P 500 at 1040. At the peak today the S&P 500 reached 1105, which was about ten points below where we see an obvious level of resistance. Heading into a long weekend and with volume likely to contract rapidly this afternoon, making much more upside progress today seems to be unlikely.

In contrast to this week, the economic report calendar is relatively light and does not have anything until next Wednesday.

Despite this week's gain, the market still appears to be range bound, and we would not rule out the potential for another retest of support at 1040. To exit the upper end of the range the S&P needs to have a convincing move above 1130. In time we think this will happen, but on a very short-term basis getting there might be difficult unless the market finds a catalyst to support the move.

The talk of a possible withholding moratorium was off the mark, but now that we are within two months of the mid-term elections we would not be surprised to see a flurry of stimulus initiatives from the White House as it is fully aware that the number one priority in voters' minds is the economy generally and employment specifically.

Enjoy the weekend and make it a safe celebration of the last holiday of the summer.

Have a great day.

Additional items from Yesterday

Burger King (BKC, \$18.86) advanced 25.08% as it agreed to be bought by 3G Capital for \$4 billion (\$24/sh), including debt. The transaction price represents a 27.25% premium over yesterday's closing price and a 46% premium over pre-rumor share price. The deal is expected to close in the last three months of 2010

SAIC (SAI, \$15.37) beat on the bottom line, reporting EPS of \$0.42 (vs. consensus \$0.33). The beat came from stronger bookings and lower expenses. However, shares fell 1.24% as revenue increased less than expected, up 2% to \$2.79 billion. The company raised its full year EPS growth guidance to 14-16% (from 8-14%).

Target Corporation (TGT, \$52.24) posted a lower than expected increase in August same store sales, up 1.8% (vs. consensus 2%). The miss came from weaker sales of electronics and home decorations. Management guided September comps to increase in the low single digits. Shares rose 0.59%.

AOL Inc. (AOL, \$22.90) gained 0.66% after announcing it has renewed a search agreement with **Google, Inc. (GOOG, \$460.34)**. Under the terms of the new five-year agreement, GOOG will continue to provide the search results on AOL's websites but the new deal also expands their cooperation onto AOL sites for cell phones and other mobile gadgets. Moreover, AOL video content will be put on YouTube. The deal includes a revenue share on a per-search basis.

Hovnanian Enterprises (HOV, \$3.68) posted a wider than expected loss driven by higher write-down for lands. Revenue and contracts decreased more than expected by 1.7% to \$380.6 million and by 37% to 902 homes, respectively. Shares rose 5.43% as management said July sales were modestly better than in June, while August sales were significantly better than in June

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