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# Market View Daily

INVESTMENT STRATEGY GROUP

Gregory M. Drahuschak

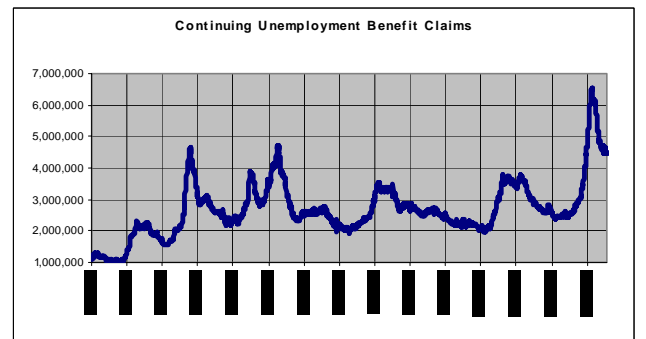
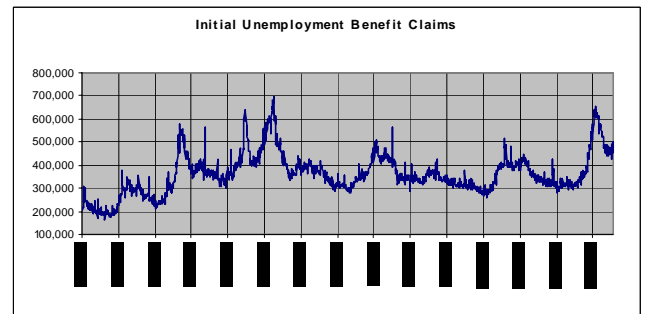
JANNEY MONTGOMERY SCOTT LLC

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	10340.69	10387.01	46.32	0.45	(0.39)	(3.46)	2.56	5.15	1.40	(7.92)	(3.58)	7.08	(4.31)	3.72	4.11	(9.97)	6.27
S&P 500	SPX	1091.84	1098.87	7.03	0.64	(1.46)	(3.70)	2.85	5.88	1.48	(8.20)	(5.39)	6.88	(4.74)	4.72	4.87	(11.86)	6.61
NASDAQ Comp	COMP	2208.89	2228.87	19.98	0.90	(1.78)	(5.37)	4.23	7.14	2.64	(8.29)	(6.55)	6.90	(6.24)	5.43	5.68	(12.04)	5.67
SOX Index	SOX	322.31	320.90	(1.41)	(0.44)	(10.84)	(12.18)	7.21	8.18	2.59	(5.43)	(6.57)	4.97	(11.85)	4.36	1.85	(9.35)	(3.43)
Biotech Index	BTK	1105.23	1124.10	18.88	1.71	19.31	2.36	7.92	17.95	(2.34)	(12.25)	(2.74)	3.56	0.11	5.98	30.30	(16.66)	9.87
DJ Transports	.TRAN	4341.42	4400.40	58.98	1.36	7.34	(4.98)	6.14	5.81	6.77	(7.17)	(7.57)	10.36	(6.79)	6.74	6.71	(8.38)	9.79
DJ Utilities	.UTIL	397.44	395.82	(1.62)	(0.41)	(0.55)	(4.96)	(2.87)	3.11	2.41	(6.90)	(0.96)	7.77	0.89	1.76	(4.82)	(5.56)	10.64
Volatility Index	VIX	23.80	23.25	(0.55)	(2.31)	7.24	13.56	(20.80)	(9.79)	25.36	45.44	7.70	(31.96)	10.85	(10.75)	(18.87)	96.36	(32.69)
S&P Midcap 400	MID	755.10	759.92	4.82	0.64	4.58	(3.28)	5.06	6.98	4.20	(7.33)	(6.69)	6.82	(5.08)	5.30	8.70	(9.90)	6.77
S&P 100	.OEX	493.68	496.78	3.10	0.63	(3.37)	(3.70)	2.22	5.70	1.00	(8.74)	(5.15)	7.04	(4.96)	4.42	4.05	(12.57)	6.23
Gold ETF	GLD	122.70	122.71	0.01	0.01	14.35	(1.26)	3.27	(0.44)	5.88	3.05	2.36	(5.09)	5.71	0.52	1.53	11.68	0.85
Russell 1000 Index	.RUI	601.38	605.20	3.82	0.64	(1.11)	(3.69)	3.06	5.98	1.75	(8.13)	(5.72)	6.82	(4.69)	4.76	5.19	(11.87)	6.67
Russell 2000 Index	.RUT	629.29	634.25	4.96	0.79	1.42	(3.73)	4.41	7.97	5.59	(7.67)	(7.88)	6.79	(7.50)	5.35	8.51	(10.19)	4.06

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	70.74	1.04	2.49	7.86	56.99	24.13	10.28	(4.42)	17.76
Inter. Bus. Machines	IBM	126.08	0.13	2.06	0.98	130.90	(3.68)	(2.02)	(3.72)	2.11
United Technologies	UTX	68.47	0.49	2.48	3.70	69.41	(1.35)	6.05	(11.82)	5.48
Chevron	CVX	77.25	0.20	3.73	1.51	76.99	0.34	(1.51)	(10.51)	13.84
Hewlett-Packard	HPQ	38.81	(1.11)	0.83	(8.39)	51.51	(24.66)	3.18	(18.57)	(10.33)
3M Co.	MMM	82.75	0.61	2.54	4.61	82.67	0.10	1.09	(5.48)	4.76
Procter & Gamble	PG	60.37	0.23	3.19	1.74	60.63	(0.43)	4.35	(5.20)	0.65
Boeing Co.	BA	64.50	1.08	2.61	8.16	54.13	19.16	34.14	(13.58)	2.79
Intel Corp.	INTC	17.90	(0.22)	3.52	(1.66)	20.40	(12.25)	9.26	(12.74)	(7.97)
Exxon Mobil	XOM	60.75	0.20	2.90	1.51	68.19	(10.91)	(1.77)	(14.80)	6.45
Wal-Mart Stores	WMT	51.83	(0.03)	2.34	(0.23)	53.45	(3.03)	4.02	(13.54)	7.82
Kraft	KFT	30.58	0.23	3.79	1.74	27.18	12.51	11.26	(7.41)	9.21
McDonald's Corp.	MCD	76.08	0.28	2.89	2.12	62.44	21.84	6.85	(1.27)	15.50
American Express	AXP	40.07	(0.02)	1.80	(0.15)	40.52	(1.11)	1.83	(3.78)	0.93
Merck & Co. Inc.	MRK	35.81	0.35	4.25	2.65	36.54	(2.00)	2.22	(6.37)	2.40
Johnson & Johnson	JNJ	58.85	0.15	3.67	1.13	64.41	(8.63)	1.23	(9.42)	(0.36)
Home Depot Inc.	HD	29.45	0.12	3.21	0.91	28.93	1.80	11.82	(13.23)	4.92
Alcoa Inc.	AA	11.07	0.21	1.08	1.59	16.12	(31.33)	(11.66)	(29.35)	10.04
AT&T	T	27.39	0.12	6.13	0.91	28.03	(2.28)	(7.81)	(6.39)	13.23
Verizon	YZ	30.46	0.24	6.40	1.81	33.13	(8.06)	(6.37)	(9.67)	8.71
Cisco Systems	CSCO	20.64	0.06	0.00	0.45	23.94	(13.78)	8.73	(18.13)	(3.14)
Microsoft Corp.	MSFT	23.93	(0.03)	2.17	(0.23)	30.48	(21.49)	(3.90)	(21.41)	4.00
General Electric	GE	15.70	0.26	3.06	1.96	15.13	3.77	20.29	(20.77)	8.88
Coca-Cola Co.	KO	57.83	0.20	3.04	1.51	57.00	1.46	(3.51)	(8.87)	15.38
DuPont	DD	42.39	0.39	3.87	2.95	33.67	25.90	10.60	(7.12)	22.55
Bank America	BAC	13.37	0.16	0.30	1.21	15.06	(11.22)	18.53	(19.50)	(6.96)
Pfizer	PFE	16.56	0.23	4.35	1.74	18.19	(8.96)	(5.72)	(16.85)	16.13
Walt Disney Co.	DIS	33.84	0.00	1.03	0.00	32.25	4.93	8.25	(9.77)	7.43
Travelers	TRV	49.86	0.09	2.89	0.68	49.86	0.00	8.18	(8.69)	1.24
J.P. Morgan Chase	JPM	39.12	0.84	0.51	6.35	41.67	(6.12)	7.39	(18.19)	6.86

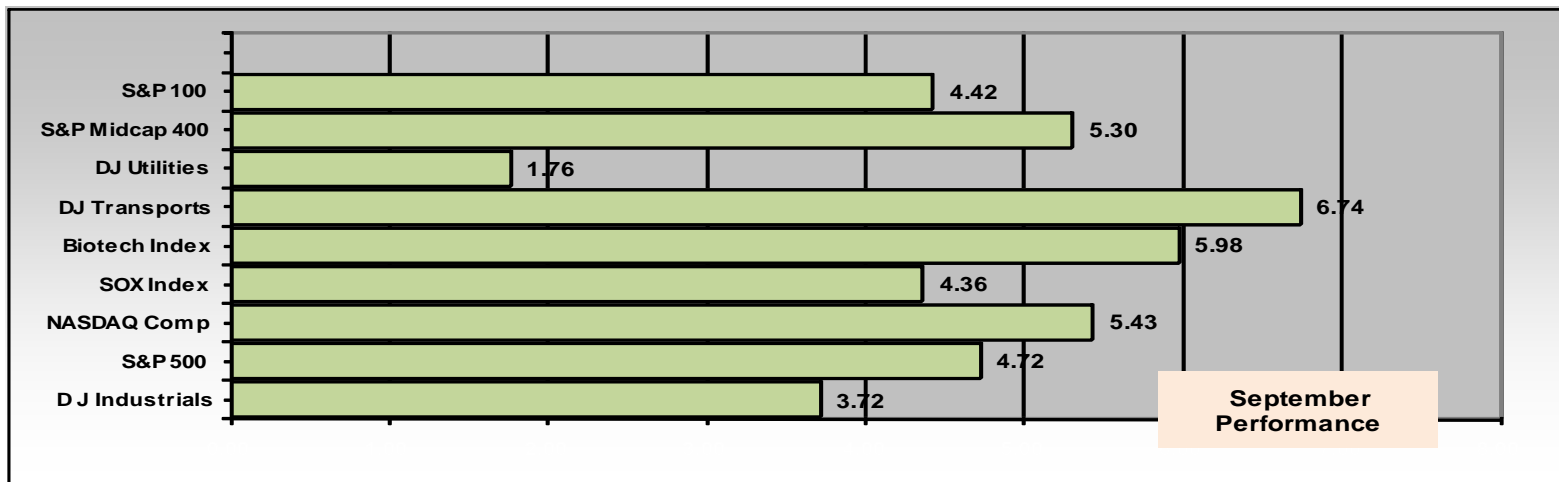
Futures had a positive bias this morning. The report on unemployment benefit claims helped give them an added boost.

Initial claims at 451,000 were 27,000 below a week ago. Continuing claims were higher than anticipated but marginally below last week. The report projected an opening gain for the Dow of about 75 points.



Forty-five minutes into the session the Dow was up about 50 points.

McDonalds (MCD) reported strong U.S. sales gains, but a shortfall from the expected level of European sales pressured the stock early today.



8-Sep	Market cap	1 Day	MTD	QTD	YTD
S&P 500	9,965,764.57	0.64%	4.72%	6.61%	-1.46%
Industrials	1,071,329.21	1.01%	6.84%	9.21%	7.09%
Cons Disc	1,031,670.78	0.67%	5.81%	9.36%	6.87%
Cons Staples	1,151,601.52	0.35%	2.86%	7.14%	2.59%
Telecom Svc	316,294.31	0.56%	2.34%	12.93%	0.52%
Utilities	371,876.12	-0.46%	1.63%	10.06%	-0.08%
Financials	1,599,575.79	1.14%	5.74%	3.82%	-0.54%
Materials	366,459.89	0.66%	5.09%	14.59%	-1.10%
Energy	1,086,554.53	0.85%	4.75%	7.78%	-6.41%
Health Care	1,149,500.87	0.48%	3.66%	3.09%	-6.97%
Info Tech	1,820,901.54	0.39%	4.86%	4.28%	-7.19%

The report on energy inventories showed that crude supplies fell 1.9 million barrels instead of the 900,000 barrel rise that was expected. Distillate inventories fell 400,000 barrels versus expectations for a 600,000 barrel increase, and gasoline inventories fell 200,000 barrels. A 900,000 barrel drop was anticipated.

There was an interesting story related to today's report on unemployment benefit claims.

The Department of Labor indicated that due to the Labor Day holiday nine states did not file claims data. Of this group the Department estimated claims for seven states, and two states (California and Virginia) provided their own estimates. This led some people to question the validity of the decline in claims reported this morning.

Almost each day there is some data that could alter the view of the U.S. economy. More recently press sources more frequently have reported data from foreign countries that increasingly can influence trading in our securities markets.

Chief among the influential data are the statistics from China and India. For good reasons both nations have been viewed as drivers of global growth. For U.S. companies the prospects of business from these two nations have been viewed as key factors to support the domestic economy.

But is there a downside to this?

There are many reasons to believe that China, for example, has to keep its economy running at a relatively high GDP growth rate pace. As its populace recognizes the benefits achievable from a vibrant economy increasingly there is demand for goods and services U.S. residents have enjoyed for decades. In our view this process is irreversible. We do not think that Chinese citizens will allow the nation to slip back into the economic dark ages of prior times.

This presents the Chinese government with both opportunities and worries.

Chinese officials have recognized that unrestrained growth can create imbalances that on their own can thwart future growth. Recently it has been reported widely that Chinese officials have attempted to apply the brakes on real estate development. At the same time they have to satisfy the growing demand of a population that increasingly is leaving rural areas for the better life and opportunities offered in China's urban areas.

The risk of political unrest in China is high if this ever-increasing demand for a better life style faces an economic stumble. This is one of main reasons we think China will do whatever it can to avoid a major economic misstep.

At the same time China knows that for the foreseeable future exports to the U.S. will be key factors that keep its economic engine humming. While the Chinese have recognized that it needs to stimulate domestic demand, exports will remain a crucial part of their economy for a long time.

It would appear that China and the rest of the world have a symbiotic relationship, but what if the Chinese economy falters? If there is a major wildcard that could blunt the recovery here and in other industrialized nations it is an unexpected downturn in China's intermediate-term economy fortunes.

We do not see anything on the near-term horizon warning that China is about to falter in its role as a driver of global growth, but increasing it will be important to pay as much attention to economic data from China as it has been to monitor U.S. economic data.

Today's upswing in the market thrust the S&P 500 toward its 200-day moving average at 1115.61. This represents a first level of potential resistance followed by 1130. Successfully exiting the top end of the recent trading range could have significant intermediate-term implications. The fact that the major averages have posted a string of upside sessions suggests making it out of the top of trading range in the next day or so is somewhat problematic. Some consolidation followed by another move higher that breaks the range would be very encouraging.

Except for one report tomorrow, this week's economic news flow is over, but next week has a relatively heavy calendar of releases. Volume, which has been very low this week, should pick up next week although we suspect volume will remain relatively light.

Increasingly attention will turn toward the mid-term election. There seems to be a widely held view that a change in control of the House or Senate would prompt a major market rally. While we do not disagree with this view, we also would caution that a catalyst of this type tends not to have a long life, but it might be enough to move the S&P out of the trading range and head to a new recovery high.

**Have a great day.**

### **Additional items from Yesterday**

**Altera Corp. (ALTR, \$26.60)** gained 1.73% as it raised its 3Q revenue growth guidance to 10-14% qtr/qtr (from 4-8%), citing expansion across its main markets. The company said the telecom and wireless vertical market would be the fastest growing portion of the business.

**Phillips-Van Heusen (PVH, \$54.31)** advanced 7.07% as it beat on the bottom line, reporting EPS of \$0.72 (vs. consensus \$0.54). The beat came from higher than expected revenue, which rose to \$1.1 billion driven by its recently acquired Tommy Hilfiger brand. Management raised 2010 EPS and revenue guidance to \$3.70-\$3.80 (from \$3.55-\$3.65) and \$4.44-\$4.47 billion (from \$4.35-\$4.4bln), respectively. Tommy Hilfiger is expected to contribute about \$1.81-\$1.83 billion to 2010 revenue. On a negative note, PVH guided 3Q EPS below expectations.

**Navistar (NAV, \$44.36)** posted a bottom line beat but fell 6.97% as revenue increased less than expected, up 28% to \$3.2 billion. NAV reaffirmed its full year EPS guidance but cut its revenue forecast to \$12 billion (from \$13.2-\$13.7bln), citing continued weakness in its core commercial vehicle market and saying some military sales that were expected to book this year would be deferred until 2011.

**Bristol-Myers Squibb (BMY, \$26.61)** gained 0.53% as it agreed to acquire **Zymogenetics, Inc. (ZGEN, \$5.30)** for \$735 million, excluding cash. The transaction price (\$9.75/sh) represents an 84% premium over yesterday's closing price. The all-cash deal is expected to strengthen the company's hepatitis C portfolio and to be \$0.03 and \$0.07 dilutive to 2010 and 2011 EPS, respectively. The acquisition would be financed through existing cash resources. ZGEN rallied 84.15%.

**Silicon Laboratories Inc. (SLAB, \$38.48)** declined 7.43% as it cut 3Q EPS and revenue guidance to \$0.50-\$0.53 (from \$0.69-\$0.74) and \$118-\$122 million (from \$136-\$141mln), respectively. SLAB cited weaknesses in customer-premises equipment and consumer end-markets. In addition, management said the slowing demand has particularly impacted its access and audio products.

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