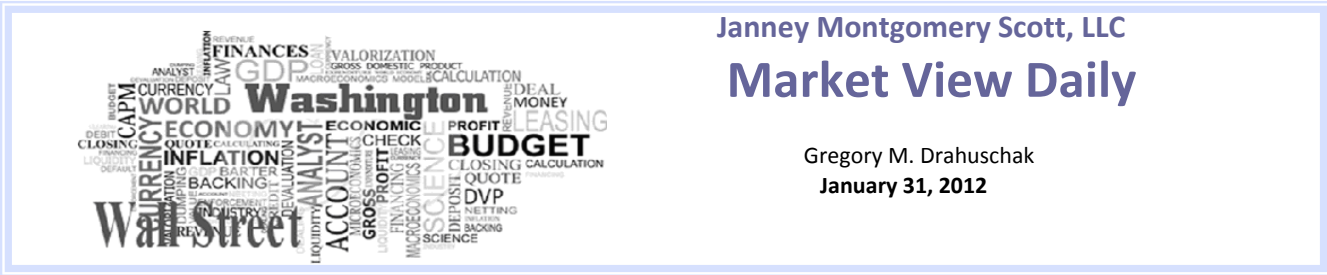


Market View Daily

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January 31, 2012



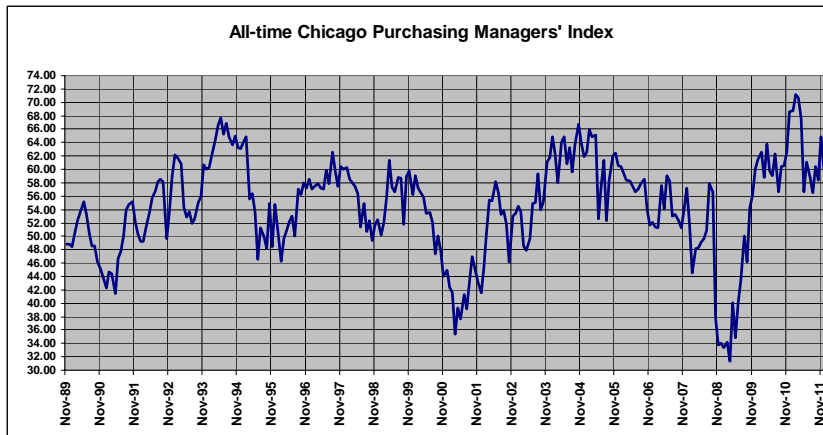
2012		Prior			%	%	%
Market Data		CLOSE	LAST	CHANGE	Daily	YTD	Jan.
D J Industrials	.DJIA	12660.46	12653.72	(6.74)	(0.05)	3.57	3.57
S&P 500	SPX	1316.33	1313.01	(3.32)	(0.25)	4.41	4.41
NASDAQ Comp	COMP	2816.55	2811.94	(4.61)	(0.16)	7.94	7.94
SOX Index	SOX	413.34	408.74	(4.60)	(1.11)	12.16	12.16
Biotech Index	BTK	1309.24	1319.64	10.40	0.79	20.91	20.91
DJ Transports	.TRAN	5344.78	5321.97	(22.81)	(0.43)	6.02	6.02
DJ Utilities	.UTIL	447.97	446.56	(1.41)	(0.31)	(3.90)	(3.90)
Volatility Index	VIX	18.53	19.40	0.87	4.70	(17.09)	(17.09)
S&P Midcap 400	MID	942.11	937.62	(4.49)	(0.48)	6.65	6.65
S&P 100	.OEX	595.37	594.51	(0.86)	(0.14)	4.16	4.16
Gold ETF	GLD	168.97	168.03	(0.94)	(0.56)	10.55	10.55
Russell 1000 Index	RUI	728.73	726.72	(2.01)	(0.28)	4.81	4.81
Russell 2000 Index	RUT	798.85	792.38	(6.47)	(0.81)	6.95	6.95

Getting closer

Futures pointed to a higher opening on word that the EU was a step closer to finding some resolution to its debt problems. The agreement widely reported early today supposedly brings the EU closer to fiscal union and a permanent bailout fund for the euro zone, but it did not resolve the most immediate concern about Greece's debt.

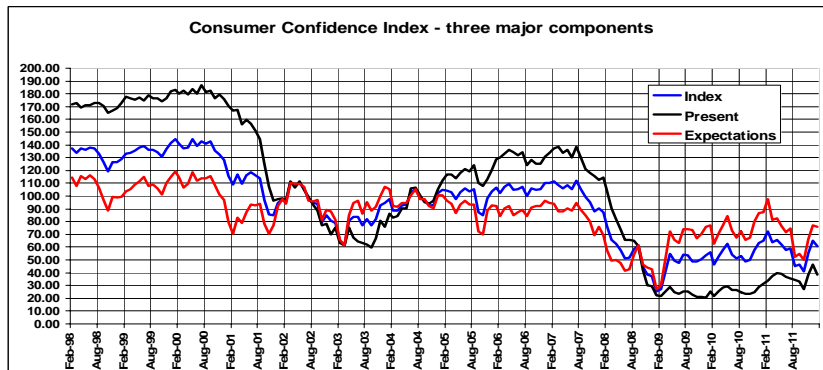
The market opened with the Dow up nearly 35 points approaching 10 AM and market breadth was more than 2-1 positive.

The Case-Shiller 20-city Index fell 3.7 percent, which was a larger than anticipated decline.



The 9:45 AM report of the **Chicago Purchasing Managers Index** was slightly disappointing in that the Index at 60.2 was two points below last month and 2.6 points below the expected level. Despite the drop in the Index, it remains in solidly positive territory not far from previous peak readings through the life of the Index, which dates back to 1989.

The **Conference Board's Consumer Confidence Index** took a step backwards. The most recent was 60.2 versus 64.80 last month.



The Chicago report and the Conference Index took the major averages off their early peak levels to modest losses, but not long afterwards they all bounced back to show small gains and breadth remained positively biased. An hour later, however, the major averages all were lower again.

This day has some added significance relative to the performance for the entire month and the implications this has

Additional News from Yesterday

Wendy's/Arby's Group (WEN, \$5.34) reported adjusted EPS in line with consensus and revenue up 6%, to \$615 million (vs consensus \$613 million). The company guided 2012 full year EBITDA of \$335 - \$345 million (vs consensus \$350.7 million). Shares fell 3.84%.

Motorola Solutions (MSI, \$45.80) announced it increased its stock repurchase program authorization to \$3 billion (from \$2 billion), through the end of 2012. The company also set April 30, 2012 as the date for its annual stockholders meeting. Shares advanced 0.35%.

Pep Boys-Manny (PBY, \$12.08) rallied 23.59% as it agreed to be acquired by Gores Group for about \$791 million in cash. The deal represents a 24% premium over Friday's closing price, has an enterprise value of \$1 billion, and is expected to close in 2Q 2012.

Haemonetics (HAE, \$66.26) reported adjusted EPS of \$0.86 (vs consensus \$0.80) and revenue up 8%, to \$191.2 million (vs consensus \$186.2 million), owing to higher sales. Management reaffirmed its full year EPS guidance of \$3 - \$3.10 (vs consensus \$3.04), and revenue growth of 6% - 7%. Shares finished down 1.86%.

Wolverine World Wide (WWW, \$37.96) reported EPS of \$0.47 (vs consensus \$0.52) and a revenue increase of 5.6%, to \$406.5 million. The shoemaker guided full year 2012 EPS of \$2.60 - \$2.70 (vs consensus \$2.72), and revenue of \$1.49 - \$1.53 billion (vs consensus \$1.52 billion). Shares advanced 1.32%.

according to the January barometer theory, which says that the direction of the market this month points to the market's direction for the entire year.

The problem for believers in this theory is that the data don't match the theory.

Not including this year, The S&P 500 has posted a January gain 37 times since 1949. In 30 of those years the index ended the entire year with a gain. However, in 18 of these 30 years, the full year gain for the S&P 500 was less than the gain in January.

The S&P 500 is on track to end this month with a more than four percent gain. In the 16 prior years when the S&P 500 had a gain of four percent or more in January the S&P 500 ended with a full year gain greater than the gain in January only five times.

The early gain today for the S&P 500 allowed the 50-day moving average for the S&P to cross slightly above the 200-day moving average. This so-called "golden cross" is viewed as a very positive technical event. However, the two moving averages merely crossing are not enough. The 50-day has to close above the 200-day for this indicator to have any relevance. Late morning today the 200-day moving average of the S&P 500 was 1257.17.

Today's earnings report flow on balance was positive. A summary of most of today's morning's releases is in a table elsewhere in this report.

The market's midday rally yesterday was based on comments coming from the EU summit that hinted that an agreement might be coming soon. This

30-Jan	Market cap	1 Day	MTD	QTD	YTD
S&P 500	11,883,953.76	-0.25%	4.41%	4.41%	4.41%
Materials	442,518.71	-0.01%	11.01%	11.01%	11.01%
Financials	1,669,341.75	-1%	7.52%	7.52%	7.52%
Info Tech	2,323,339.99	0.33%	7.38%	7.38%	7.38%
Industrials	1,306,499.55	-0.37%	7.34%	7.34%	7.34%
Cons Disc	1,286,990.18	-0.17%	5.94%	5.94%	5.94%
Health Care	1,389,634.02	-0.11%	3%	3%	3%
Energy	1,428,589.90	-0.42%	2.35%	2.35%	2.35%
Cons Staples	1,291,448.20	-0.46%	-1.67%	-1.67%	-1.67%
Utilities	422,153.38	-0.49%	-4.08%	-4.08%	-4.08%
Telecom Svc	323,438.09	0.61%	-4.11%	-4.11%	-4.11%

turned out to be the news this morning that gave futures a positive bias.

Getting Europe out of the headlines clearly would help, but short-term the market still looks heavy, and that could prompt some weakness, which we think will be contained to a relatively modest amount.

Valuation always is an important part of the market equation. On this score stocks are not overvalued. In fact, based on historic norms, they are relatively undervalued.

The consensus earnings estimate for the S&P 500 for this year suggests earnings of \$104.78. This places the S&P 500 at 12.6 times 2012 earnings. The long-term P/E average of the market is a fraction below 15. We doubt that the S&P 500 will reach its this average, but only a one-pint increase in the market multiple would add about 100 points to the S&P 500, which makes getting to 1400 entirely possible. It would not be a great stretch to see 1500, especially with interest rates likely to remain where they are now.

Earnings reports this morning		Actual	Est.	Yr Ago
Affiliated Managers	AMG	1.76	1.74	2.02
Anixter	AXE	1.49	1.42	0.88
Archer-Daniels	ADM	0.51	0.77	1.14
ARM Holdings	ARMH	0.04	0.03	0.14
Biogen Idec	BIIB	1.51	1.49	1.42
Celanese	CE	0.58	0.56	0.73
Ceva	CEVA	0.26	0.22	0.19
CIT Group	CIT	0.17	-0.01	0.37
Danaher	DHR	0.81	0.78	0.67
Eli Lilly	LLY	0.87	0.80	1.11
Entergy	ETR	0.94	0.90	1.30
Exxon Mobil	XOM	1.97	1.97	1.85
G&K Svcs	GKSR	0.51	0.47	0.41
Gentex	GNTX	0.28	0.30	0.26
Harris	HRS	1.22	1.19	1.20
Harte-Hanks	HHS	0.23	0.22	0.24
Headwaters	HW	-0.31	-0.13	-0.34
Helmerich & Payne	HP	1.32	1.15	0.94
Illinois Tool	ITW	0.90	0.88	0.79
Inergy	NRGY	-0.03	0.25	0.72
Kulicke & Soffa	KLIC	0.11	0.12	0.21
L-3 Comms	LLL	2.54	2.42	2.37
Lexmark	LXK	1.25	1.16	1.29
MarineMax	HZO	-0.19	-0.19	-0.42
Mattel	MAT	1.07	1.01	0.89
McGraw-Hill	MHP	0.63	0.57	0.55
Meritage	MTH	-0.36	0.09	-0.03
Oshkosh Truck	OSK	0.42	0.31	1.09
PACCAR	PCAR	0.91	0.80	0.46
Pentair	PNR	0.52	0.54	0.49
Pfizer	PFE	0.50	0.47	0.47
Potlatch	PCH	-0.04	0.15	0.22
Provident Fincl	PROV	0.16	0.24	0.37
RTI Biologics	RTIX	0.04	0.03	0.05
Saia	SAIA	0.15	0.14	0.04
Sterling Bancorp	STL	0.17	0.15	0.13
Techne	TECH	0.76	0.79	0.71
Tellabs	TLAB	0.01	-0.01	0.02
Tyco	TYC	0.84	0.79	0.75
U.S. Steel	X	-1.14	-0.84	-1.74
UPS	UPS	1.28	1.25	1.08
Valero Energy	VLO	-0.21	0.37	0.40
Waddell & Reed	WDR	0.46	0.48	0.54

As we often have noted, the S&P 500 will encounter notable technical resistance in the 1350-1370 range, but getting beyond this could propel the index comfortably above 1400. While we do not see a move above 1400 as being easily accomplished, it certainly is a distinct possibility that could be achieved if the market gets even modestly improved economic news or a substantive resolution to the most pressing short-term issues in Europe.

At the same time we suspect the market will encounter some weakness this year that we think will represent a good buying opportunity.

If the S&P 500 moves up to the 1350-1370 level rapidly from here we would be inclined to take some profits as a hedge. If a move lower comes first we would add to positions with the objective of taking profits later in the year when the S&P reaches or exceeds 1370.

Tomorrow's report of the ISM Index will be influential since it tends to have more market acceptance than many of the regional indexes. The key report this week, however, comes Friday when the government reports the latest employment data. Non-farm payrolls overall are expected to rise 155,000 with private sector jobs rising 168,000. A significant disappointment in either number likely would put pressure on stocks, but at this point we think the market does not anticipate sudden and large increases in the employment roles. Employment data not far from expectations are not likely to be significant even though the expected numbers still could be relatively anemic.

Have a great day.

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