

**AND THAT'S THE WEEK THAT WAS...****For the Week Ended February 26, 2010***Market Matters...*

Market/Index	Year Close (2009)	Qtr Close (12/31/09)	Previous Week (02/19/10)	Current Week (02/26/10)	YTD Change
Dow Jones Industrial	10,428.05	10,428.05	10,402.35	10,325.26	-0.99%
NASDAQ	2,269.15	2,269.15	2,243.87	2,238.26	-1.36%
S&P 500	1,115.10	1,115.10	1,109.17	1,104.49	-0.95%
Russell 2000	625.39	625.39	631.62	628.56	+0.51%
Global Dow	1,984.48	1,984.48	1,893.58	1,891.56	-4.68%
Fed Funds	0.25%	0.25%	0.25%	0.25%	0 bps
10 yr Treasury (Yield)	3.85%	3.85%	3.78%	3.60%	-25 bps

Who says there's nothing good on TV these days? If viewers got bored by the riveting coverage of Olympic women's curling, they could have tuned into political grandstanding at its finest as Prez O and his congressional cohorts (or blowhards) "discussed" the pros and cons of health care reform. With partisanship on display from minute one, the "political theater" (as O put it) proved that politicians are more interested in blame-placing and poll-watching than any practical solutions. Meanwhile, when the cameras were off, Senate R's and D's managed to agree (for the most part) on a bill designed to save or create 1.3 million jobs. (How can one vote against a jobs' bill in an election year?) And, while Congress seemed to be in the mood for "intellectual" debate (or not), Treasury Secretary Geithner challenged them to pass real financial reform (any TV cameras allowed?). For its part, the SEC took on short-sellers by placing stricter curbs on the practice that some blame for the devastating declines in equities in the heart of the economic downturn. In other news from the Nation's Capital, **Toyota's** chief faced the wrath of Congress and promised "to advance safety to the next level" as his company faces ongoing PR nightmares and personal injury lawsuits. Thus ends the "week that was" in politics. How's that bipartisanship looking, O?

As earnings season begins to wind down, retailers weighed in with some rather favorable results. **Lowe's** and **Home Depot** both posted better-than-expected results as consumers finally starting meeting some of their home-furnishing needs. Likewise, discounter **Target** showed signs of rebounding from recessionary woes and **Macy's** proved that previously down-and-out department stores may be on the road to recovery as well. On the opposite end of the trend, **Barnes & Noble** struggled again and offered a pessimistic outlook as traditional "bricks and mortars" have trouble competing with online retailers. And **AIG** apparently still has a long way to go (any more government help available?). In other corporate news, **GM** prepared to say goodbye to Hummer as its prior deal with **Sichuan Tengzhong** was rejected by Chinese regulators. **Schlumberger** said hello to **Smith International** with a proposed \$11 billion acquisition which would be the largest domestic transaction of the year. Airlines reaped rewards of enhanced personal and biz travel as revenues advanced industry-wide for the first time in 15 months. However, despite the (so-called) economic recovery, an FDIC report showed that numerous banks are at risk of failing and they continue to shy away from lending at a time when many small businesses need it most.

Equities ended their recent winning streak as investors focused on lackluster economic data (see below) and the "political theater" out of DC. The tide shifted (temporarily) as Dr. B. confirmed his intent to keep rates low for a while, though concerns about the ongoing Greek tragedy persisted. Treasury successfully auctioned off \$126 billion in government debt as fixed income investors added "riskless" (or, at least, perceived that way) securities to their portfolios. Crude traded toward the higher end of its range (around \$80/barrel), even as inventories pushed to levels not seen in three months; some analysts expect \$3 gas by summer. Any chance of another televised health care summit next sweeps week? (Frankly, I think I prefer curling.)

Economic Calendar

Date	Release	Comments
February 23	Consumer Confidence (02/10)	Surprising plunge in index
February 24	New Home Sales (01/10)	Worst showing on record (almost 25 years)
February 25	Initial Jobless Claims (02/20/10)	2 nd week in a row of an unexpected increase in claims
	Durable Goods Orders (01/10)	Biggest rise in 6 months
February 26	GDP – 4 th qtr revised	Revised upward; best pace since 3 rd quarter 2003
	Existing Home Sales (01/10)	Surprising drop for 2 nd straight month
The Week Ahead		
March 1	Personal Income/Spending (01/10)	
	Construction Spending (01/10)	
	ISM (Manu) Index (02/10)	
March 3	ISM (Services) Index (02/10)	
	Fed Beige Book	
March 4	Jobless Claims (02/27/10)	
	Factory Orders (01/10)	
March 5	Unemployment Rate (02/10)	
	Non-farm Payroll (02/10)	
	Consumer Credit (01/10)	

The tragic situation in Greece has really become quite the page turner with numerous plot twists and turns. As its gov takes steps to trim its massive budget deficit, the average Joe (rather, the average Nico) took to the street to protest the proposed measures that include a wage freeze, entitlement cuts, and tax increases. Union workers organized a 24-hour strike to show their disdain for the government's moves. Meanwhile, the EU took the exact opposite approach and warned Greek leaders that their initial steps do not go far enough and they need to dig deeper to find greater cost-cutting measures and more revenue sources. And, in a shocking twist (not really), **Goldman Sach's** name surfaced as a chief instigator in the budget woes as critics claim the investment giant helped structure derivative deals to mask the problems faced by the country. To add insult to injury, **S&P** and **Moody's** are considering a further downgrade to Greece's debt rating, a untimely move that could dramatically add to its borrowing costs.

Closer to home, the week in the economy got off to a shaky start as consumer confidence dropped significantly in February and its present situation index plunged to its lowest level in 27 years. The report actually struck some analysts as odd as just last month the confidence index climbed for the third consecutive release and consumers seemed back on the road to renewed activity after a half-way decent holiday season. Housing also continued to struggle though the severe winter weather that had blanketed much of the country made for a good excuse for the dismal January new and existing home sales figures. Analysts had hoped to gain some sector momentum in advance of the unwinding of the government stimuli that was expected to keep buyers pursuing the American dream. (Time may be running out.) On a positive note, GDP in the fourth quarter climbed by 5.9%, its best showing since third quarter 2003, and was revised upward from its initial report last month. Some feared the pace would be revised lowered and most expect future quarters to show a far more restrained level of growth. Chairman Bernanke made his traditional trek to Congress to share his insight and justify the Fed's actions. Dr. B. defended the move to raise the discount rate and expressed his views that the funds rate should stay low for the time being as the labor market remains weak and inflation is under control (for now). He also talked about more transparency in future Fed actions, but acknowledged that the policymakers must not play politics and need to remain completely independent from such motivations.

On the Horizon... **Staples** (3/2) and **Costco** (3/4) highlight the week in earnings though, by this point, most analysts have a pretty good feel for the prior quarter. Instead investor will focus on key manufacturing and labor data (and Greece). Any chance unemployment is heading lower?

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