

Boenning Morning Comment

This report is prepared for us by Tower Bridge Advisors

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Stocks rallied sharply opening higher and building on its early gains for most of the session. The standard explanation is that Germany and the EU seem prepared to back Greece but probably the more logical explanation was that the market was simply ready to rally. The sharp late day sell-off on Monday didn't raise the level of fear whatsoever leading traders to jump in and chase bargains from the get go yesterday.

The news front yesterday and probably for the next few weeks is going to be quiet. Earnings season is winding down, the economic data will be fairly skimpy and February is probably the slowest month of the year anyway. Hard to make a major economic judgment based on February numbers.

That doesn't mean that markets can't be volatile. The last several days certainly proves they can. Indeed, as I have noted in past letters, the absence of a lot of new information often creates vacuums that allow relatively minor events to fester and blossom into full grown psychic financial hurricanes. I don't know if the problems in Greece qualify as truly minor but they clearly are no where near as important as the collapse of major banks or the seizure of debt markets that we experienced in the fall of 2008. More likely, what is going on in Greece and to a lesser extent in other southern European nations is an aftershock of all we have been through rather than the seeds of new economic destruction. That doesn't mean that Greece isn't in for tough times and that other countries can't follow suit. It might even be possible that a country as large as the United Kingdom may be forced to tighten its economic belt at an inappropriate moment. I use the word inappropriate meaning that restrictive monetary and fiscal policies are not the right economic ingredients for a nation just emerging from recession. But if a nation has overplayed its hand spending too much and raising too much debt in times gone by, then that nation, or those nations, will have to live in a world of restricted economic growth or even recession.

If you turn the clock back just a couple of decades, what is going on in southern Europe today has happened all over Latin America, across Eastern Europe, through Asia and even in Russia not very long ago. While the tremors often send shivers through financial markets, tsunamis of the sort we experienced in 2008 don't repeat very often and I don't yet see even the slightest sign that what is going on today represents the start of another cataclysm.

Although credit default swap spreads have widened quickly for sovereign debt of the affected countries, it has not had meaningful impact on the prices of bonds for most sovereign nations. Indeed other indicators of fear, like widening LIBOR spreads, a sharp drop in long term U.S. Treasury rates and dramatic impact in currency markets simply haven't taken place.

With stocks down close to 10% from peak to intraday trough last Friday, the simple fact is that bargains have reappeared and have begun to attract buyers. We will see whether there is follow through from today's rally or not but my sense is that the current selling wave is simply running out of energy. However, that doesn't mean we are ready to resume a 2009-style bull market. Indeed, if you look back to early September, stock prices have gone nowhere in the interim. What has happened instead has been a lot of choppy sideways motion. I see no reason why that behavior should change any time soon. When stocks hit the lower end of the range, as they are today, traders will step up and buy. If we start to approach early January highs, look for profit taking. It is likely to be more of a

traders market in the weeks ahead than a market well suited to long term buy-and-hold investors. That doesn't mean buying for the long term is a wrong strategy. It just requires patience. Owning quality dividend paying stocks should reward holders in the long run.

Today Glen Beck is 46. Robert Wagner is 80.

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Additional information is available upon request.

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