

Boenning Morning Comment

This report is prepared for us by Tower Bridge Advisors

March 17, 2010

Happy St. Patrick's Day and may all the prices on my quote screen today be green. Yesterday, stocks rallied in the afternoon after the FOMC maintained its language suggesting that interest rates would remain low for an "extended period". But it stuck to its guns and did not extend its purchase program for mortgage backed securities. Moreover, it moved its policy needle to neutral suggesting the economy is moving to a point where inflation concerns and economic concerns may be getting close to equal. All this suggests that rate increases aren't imminent but the likelihood they will begin later this year have increased.

Now that the Fed meeting is over, there is little on the news front. Indeed, not just the business page but the front page is rather boring. In the past, I have noted that a vacuum of information creates an environment that allows the bears to take over. Worry and fear trump an absence of contradictory facts. But if worry and fear aren't present, then a vacuum simply allows natural long term forces to take over. That seems to be where we are at today. The natural course of the economy's growth is dictated by rising population and natural productivity improvement. All other things being equal, that growth in final demand might be in the range of 2.5-3.0%. Fiscal and monetary stimulus might nudge that up a bit and consumer deleveraging might nudge it down a bit. But these are all shades of gray.

Here's the reality of the moment. The economy continues to heal. If you look at the bond market, credit spreads continue to narrow though most of the narrowing is over. If you look at the stock market, it behaves very rationally with little evidence of speculation. In fact, I find it rather remarkable that 1+ years into a new bull market there isn't the faintest sign of a bubble out there. Indeed, there were more signs six months ago than there are today. Six months ago, everyone was talking about gold or China. But both gold and emerging market stocks have underperformed in recent months. The leading group so far this year has been regional banks, hardly what you would call the bastions of speculation.

If you want to find stuff to fester about, it's always there. Employment growth is still elusive and new housing activity remains dismal. Health care reform continues to stay on the front page but it is all getting rather boring by now. The political process of getting to an end point has turned everyone off and, frankly, we aren't going to have any idea for years whether this bill, if it passes, is going to be an albatross or not. Everyone interested spins the story away from the truth. The one reality we do know is that if health care reform passes, our taxes will go up soon and the substantive parts of the legislation don't kick in for at least four years. So much for health care. Next appears to be financial reform but that is still a long way from becoming law.

Economically, looking forward, in two weeks we will get a lot of data about March activity setting the stage for first quarter earnings season that begins in about 4 weeks. Those will be the most important drivers for stock prices over the near term. This Friday is a big options expiration day suggesting that today and tomorrow might give us some volatility, hopefully higher.

Futures point to a modestly higher opening.

Today Gary Sinese is 55. Patrick Duffy of "Dallas" fame is 61.

James M. Meyer, CFA 610-260-2220

Additional information is available upon request.

* - Boenning and Scattergood may act as principal in buying this stock from or selling it to the public.

- The author of this report or accounts under his management at Tower Bridge Advisors owns this security.

Additional information on companies in this report is available on request. This report is not a complete analysis of every material fact representing company, industry or security mentioned herein. This firm or its officers, stockholders, employees and clients, in the normal course of business, may have or acquire a position including options, if any, in the securities mentioned. This communication shall not be deemed to constitute an offer, or solicitation on our part with respect to the sale or purchase of any securities. The information above has been obtained from sources believed reliable, but is not necessarily complete and is not guaranteed. This report is prepared for general information only.

It does not have regard to the specific investment objectives, financial situation or the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed in this report and should understand that statements regarding future prospects may not be realized. Opinions are subject to change without notice.