

Boenning Morning Comment

This report is prepared for us by Tower Bridge Advisors

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Stocks finished mixed yesterday in a relatively quiet session. The most important news of the day was the release of the recent FOMC minutes, but they revealed little that market watchers didn't already know.

I suspect that investors are going to attempt to tread water in front of the start of first quarter earnings season. I know I am repeating myself but if you look back at the past two earnings seasons, the pattern has been the same. Stocks were strong and investors were optimistic going into earnings. And, indeed, earnings were every bit as good as expected, maybe even a little better. But after brief spikes upward in celebration of good news, most of the stocks of early reporting companies like Intel and Goldman Sachs, retreated in price. Investors took the hint and essentially sold stocks on their earnings news throughout earnings season both in October and January. Will the pattern repeat a third time? We will find out soon enough. We will actually get some small hints today as Family Dollar Stores reports this morning and Bed Bath & Beyond reports after the close. But these names are exactly the same as Intel and Goldman Sachs.

Even if the pattern does repeat itself, the corrections of October and January merely set the plate for follow on rallies once earnings season ended. The most recent rally began at the end of the first week in February. The Dow is up just about 10% from its February lows. A similar rally carried stocks to what were then recovery highs in November and December. Thus, I don't fear a possible correction during earnings season. I welcome it. It is part of the market's breathing process, two steps forward and one step back.

Today's big newsmaking event could be hearings by the Financial Crisis Commission in Washington where former SEC Chairman Alan Greenspan is scheduled to testify. Look for panelists to try and get Mr. Greenspan to take at least some of the blame for the 2007-2009 recession by keeping rates too low for too long. But don't expect Mr. Greenspan to do any such thing. We have seen this drama on stage several times already and the ending this time around isn't likely to be any different. Tomorrow the key people testifying will be Robert Rubin and Chuck Prince. Once again look for theater to trump substance.

Continuing along the same theme, Goldman Sachs' annual report is out and Chairman Lloyd Blankfein goes to great lengths laying out Goldman Sachs' place in recessionary history. There are few bombshells and it is unlikely those who want to label Goldman one of the evil villains of the recession that profited on the suffering of millions will come away feeling any differently. But Mr. Blankfein did a nice job laying out a cogent explanation of Goldman's role. When the dust settles, it is unlikely that anyone is going to be able to state that Goldman had a major role creating the havoc or even perpetuating the damage. Obviously, it made lots of money during and after the recession but it wasn't raping anyone to do so.

Today's Wall Street Journal has a front page article discussion Jaime Dimon's efforts to impact financial reform legislation and his attempts to modify or slowdown Washington's vilification of the entire banking system. His willingness to speak out is admirable although many now view his message as a bit of a broken record. The Journal article is a basic repeat of what we already know. I suppose that is what happens on a slow news day or week.

Indeed, sometimes market watchers, including us, try to find significant news when none exists. As I said at the start, the markets appear to be marking time until earnings season begins. The basic economic trends in place aren't going to change anytime soon. Some will make a big deal if the Dow crosses 11000 or the 10-year Treasury yield passes 4%. But the only significance of these numbers is that they end in zero. Problems on the horizon simply aren't big enough to matter yet and the forces in place that are perpetuating an old-fashioned recovery are working.

In Wall Street we say the trend is your friend. I see no need to do much different for the moment.

Futures suggest a sluggish opening.

Today Jackie Chan is 56. Russell Crowe turns 46. Wayne Rogers is 77.

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