

Boenning Morning Comment

This report is prepared for us by Tower Bridge Advisors

July 30, 2010

Stocks finished modestly lower yesterday but that hardly defines the session. The Dow gyrated over 300 points during the session seemingly without rhyme or reason, especially since very little newsworthy happened during trading hours. Traders may have had a field day but it was hard to make any logical sense out of what happened. Earnings reports were mixed. Colgate and Kellogg had disappointing statements with both companies suggesting that they lacked pricing power amid an environment where consumers were still trading down. The deflationary thought was mirrored by comments by at least one Federal Reserve Governor. However, others suggested that deflation was not upon us and all we are experiencing at the moment is temporary weakness associated with excess capacity, a condition that will gradually disappear as an improving economy absorbs more excess capacity.

The deflation/disinflation discussion is likely to last for some time. Clearly corporations have lacked pricing power for a long time. What Colgate and Kellogg announced yesterday was hardly new news. But the inability to raise prices for some is not the definition of deflation. In a deflationary environment there is a persistence to both price and wage reductions, not just some sporadic price weakness. Right now both are a lot closer to stable prices than to an ongoing state of decline. Clearly if the Fed focuses on restoring money supply growth, it has the ability to put some upward pressure on prices. However, if the added money just sits still and doesn't circulate, it will have limited impact. Academicians will argue both sides but only time will tell whether monetary expansion can be effective in an environment when both consumers and businesses simply don't want to borrow. Indeed, looking back, we have seen several years of persistent asset price deflation (e.g. stocks and home prices) but they are beginning to show signs of stability.

Today we get our first look at Q2 GDP. Consensus estimates are for growth of about 2%. Any meaningful deviation will be market moving. But it is important to note that GDP data is ancient history and provides almost no evidence of what lies ahead. The majority of companies have already reported second quarter results and we all have a pretty good picture of what April-June looked like. Management commentary about July and expectations going forward are a lot more telling than second quarter data. Nonetheless, it is probably going to be the most important news item today and traders will likely dwell on the numbers coming out this morning.

Today Lisa Kudrow is 47. Paul Anka is 69.

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.