

## The Weekly View

### The Recap *by Kevin Maloney*

Equity markets reacted strongly this week to negative fundamental data, with the NASDAQ falling 4.83%, DOW losing 4.19%, and the S&P 500 losing 4.65% on the week. Two major events catalyzed the downturn of last week, beginning with the tightening of the usually aggressive lending policies in China Wednesday, and news of proposed legislation by President Obama to restrict investments that banks can make Thursday. (WSJ) The news regarding potential changes in American banking policy led the way down for US equity markets early Thursday, with NASDAQ leading the charge with a loss of 1.4% on the way, making Thursday the largest single day drop since last October. Friday would bring no remorse, as JP Morgan (JPM) led the way with a slide of 9% between Thursdays open and Fridays close for a consecutive punch to both Financials and the rest of the broad equity markets.

The CRB Commodity Index lost 2.1% on the week, adding onto what has been a 5.3% slide in 2 weeks, with Oil leading the way down at 4.4% loss on the week. Precious metals also lost value, with gold closing the week's pit session at \$1089.70 per ounce, down 2.5% on the week. The US Dollar in turn continued to gain strength specifically from expectations of Chinese restrictive monetary supply, as seen particularly on the EUR/USD spot price, dropping from \$1.4386 and ending the session at \$1.4163 (indicating USD strength). The USD did show signs of weakness around mid-week after proposed legislation came out from the Obama Administration that would require harsher regulation and restrictions on banks, specifically disallowing them from investing in hedge funds or private equity funds. (Reuters)(WSJ) Uncertainty around this proposal led to an increase in the EUR/USD (signifying USD weakness) as well as increases for the Japanese YEN, which typically benefits from such uncertainty. (Reuters)

The name of the game as read in last week's recap continues to be "Uncertainty." Since March 2009, equity markets in particular have been on apparent cruise control, continuing along their upward path in spite of negative fundamental reports on underlying value. The markets provide a big picture view of our dynamic economic environment based on future expectations, regardless of whether those expectations are 10 years, 10 months, or 10 minutes out.

In any case, one circumstance that one can always rely on for palpable, if not immediate consequences to Commodity, FOREX, and Equity Prices is Government Action. Look for its continued effect as Federal Reserve Chairman Ben Bernanke's nomination for 2<sup>nd</sup> term takes place, the same week as key politicians stated they would not support his nomination. As for the potential effect this could have on the markets, Warren Buffett quipped "Just tell me a day ahead of time, so I can sell some stocks." (The Washington Times)

### Table of Contents

Recap	Page 1
Outlook	Page 2
Sector Analysis	Page 3
Upcoming Earnings	Page 6
Economic Calendar	Page 11
Analyst Information	Page 12

### Analyst Positions Available:

- The Drexel Investment Group is looking to fill positions in this year's Analyst Program. Those interested should send their inquiries to Steve Romasko at sr3671@gmail.com

Index	Change	% Change	YTD %
DJIA	-436.67	-4.1	-2.4
Nasdaq	-82.7	-3.6	-2.8
S&P 500	-44.27	-3.9	-2.1
Russell 2000	-20.84	-3.3	-1.3

## UPCOMING

### Outlook *by Steve Romasko*

---

For this Week: Expect more of the same

This week has the potential to resemble that of last week—uncertainty will lead the market as investors (i) look toward revenue growth in this week's earnings for an indication on the health of the consumer, (ii) assess economic data (particularly advanced GDP numbers, unemployment, and the FOMC's rate decision), and (iii) continue to weigh the implications of the Obama Administration's planned regulation on financial institutions.

While the bulk of last week's earnings came in better than expected with respect to the bottom line, Wall Street was less impressed with top-line figures (see JP Morgan, Citigroup, Morgan Stanley, and Wells Fargo for specific examples) and reacted to the reports by initiating a broad-based selloff. The selling pressure started on Wednesday, despite a major victory for the markets on Tuesday after Republican Scott Brown unexpectedly won the election in Massachusetts; simultaneously breaking the filibuster for Democrats in the Senate and bringing healthcare legislation to a halt. Following the election news, President Obama's scathing announcement on regulatory reform coupled with earnings from Bank of America, Morgan Stanley, and Wells Fargo, and the uncertainty over the reappointment of Ben Bernanke as Fed Chairman caused investors to reassess their appetite for risk-selling pressure only accelerated through the end of the week, sending the S&P 500 down 3.9%, recording its worst week since October 2009. The index is now down 2.1% YTD.

This week will be even more earnings-intensive than last week as reports are due from a variety of major companies spanning all sectors. Pay particular attention to Apple and Halliburton (Monday); Delta, DuPont, EMC, Johnson & Johnson, Sun Microsystems, U.S. Steel, Verizon and Yahoo (Tuesday); BlackRock, Boeing, Caterpillar, ConocoPhillips, Qualcomm, UAL and United Technologies (Wednesday); AT&T, Altria, Amazon.com, Bristol-Myers Squibb, CA, Colgate-Palmolive, Eli Lilly, Ford, JetBlue, Lockheed Martin, Microsoft, Procter & Gamble, Raytheon, 3M and US Airways (Thursday); and Chevron, Honeywell and Mattel (Friday).

Emphasis will also be placed on several key economic reports as well as the Federal Open Market Committees' statement coming on Wednesday detailing the Fed's strategy going forward. Investors will be looking for any implications on the timing of interest rates. Also, the World Economic Forum will get underway on Wednesday, taking place in Davos, Switzerland.

## SECTOR ANALYSIS

### Consumer Discretionary

---

The consumer discretionary sector was down 1.93% after its last trade at 29.02 on Friday. Specifically within the sector, I will be focusing on the retail industry and its performance during the recession. According to "Inside Jersey", the lifestyle magazine of New Jersey, frugality is the new trend as many are saving more than ever. It can be seen consumers are continuing to buy bargained products at the best value and are not too flashy. However, according to chief economist for Deloitte Research Carl Steidtmann, "2010 will be the turnaround year" where consumers will once again indulge in luxury goods.

- Rishi Bambal

The consumer discretionary sector ETF (XLY) gave out a total return of 9.01% in the last quarter of 2009, finishing just third behind healthcare and technology. XLY stayed mostly around the \$30 mark for the last week from January 15 to January 22. Heavy selling in the last few hours saw the price drop to \$29.02 before close on January 22. This could be partly attributed to the earnings report of McDonald's (MCD) reported Friday around opening time. MCD has the maximum weighting in the XLY sector. MCD reported 4Q EPS of \$1.03, a penny ahead of consensus. MCD headline EPS was reported to be \$1.11 but that includes a presumed tax benefit. The 4Q revenue was \$5.97 billion against the \$5.94 billion consensus. Same-store sales were up 2.3%. XLY also saw heavy selling on Home Depot, Comcast and Walt Disney in the last few hours of trading.

- Shounak Sengupta

### Consumer Staples

---

This week, we focused on the sub-industry of Supermarkets, within the broader Consumer Staples market. Within a weak economic environment, these retailers have become extremely price competitive in an effort to gain more customers. As such, they postponed store expansion plans, increased their marketing, and focused on lowering prices.

Two long-term strategies food retailers have pursued include increasing the number of prepared food offerings and increasing the quality of private-label brands. Private label goods hurt sales growth due to their lower costs, but this loss is regained by their wider gross margins. Two short term strategies retailers have pursued include price reductions and promotional spending. Retailers have also increased the shelf space they allocate to lower priced goods.

Some of the largest supermarkets were able to better adjust to the adverse economic conditions. For example, Wal-Mart's everyday low price (EDLP) strategy enabled it to gain market share among more price-conscious consumers. Its bargaining power as a supplier also helped it pass cost savings on to consumers. Finally, Wal-Mart has re-assessed its private label, Great Value, in an attempt to improve its brand awareness.

Other supermarkets had a more difficult time adjusting, due to the large amounts of debt they had accumulated prior to the downturn. For example, Supervalu took on \$6.1 billion in debt when it acquired over one thousand Albertson supermarkets in 2006. With the tight credit market, this has greatly increased its risk. Sales have been affected, declining 9.4% in the third quarter as compared to last year.

- Jeremiah Wang

## SECTOR ANALYSIS

### Energy

---

On January 21, 2010, the price of oil had fallen to \$76 per barrel due to a large increase in the supply of gasoline. Supplies had increased by 3.9 million barrels which was much higher than what analyst had predicted. According to James Cordier, President of Liberty Trading Group stated that the demand of oil in foreign markets is causing the oil prices to fluctuate daily. Cordier also claims that the oil prices will begin to rebound in the end of February due to seasonal factors. Therefore oil prices may surpass \$80 by the end of the first quarter.

Aneesh Rikhi

### Financials

---

The past week saw very important regulatory news in the financial sector. On January 14th, President Barack Obama announced plans for a bank tax to tax the country's largest banks, regardless of which ones received bailout funds. The tax would raise \$90 billion over the course of ten years. Such a tax could be passed on to consumers, but nonetheless it would be a burden on the banks. Perhaps more important, two key Democratic Senators, Russ Feingold and Barbara Boxer announced they would not support Federal Reserve Chairman Ben Bernanke's re-confirmation. They join a bipartisan list of senators in opposition to his confirmation. If Bernanke cannot get the 60 votes in the Senate, the sector and the market could be in for quite a correction.

- Chris Born

### Healthcare

---

Investors eagerly await the market to open, as on Tuesday, January 26<sup>th</sup> many big pharmaceutical companies such as JNJ, ABT, PFE, GSK along with many others will release third quarter results. Looking specifically at JNJ, which in the past has outperformed estimates, there is a very high chance that this pharmaceutical giant will once again outperform estimates. Currently First Call estimates that the third quarter results will be 0.94. However, there is a chance that the actual EPS may be higher considering the fact that for the past three months JNJ has performed very well on the stock market. JNJ started the third quarter in November off at a price of approximately \$58 and ended the quarter at an approximate \$64. At the same time, aside from higher stock prices, the very fact that JNJ is a pharmaceutical company can assist it getting a higher EPS as even despite the economic crisis that the world faces, there is a constant reliance on the products and services that are provided by large companies such as JNJ, ensuring that such companies are nigh immune to the adverse effects that plague other industries and its companies.

- Cecil Cheriyan

### Industrials

---

No information reported this week.

## SECTOR ANALYSIS

### Materials

---

No information reported this week.

### Technology

---

Despite upbeat earnings from several tech bellwethers the technology sector led the market down during this holiday shortened week with the XLF falling 4.4%. On Tuesday IBM reported earnings of \$4.8 billion (\$3.59 a share) led by their business services division but the stock still fell 4.8% this week. Google reported their earnings after the close on Thursday and had a net income of \$1.97 billion, or \$6.13 a share, compared with \$382 million, or \$1.21 a share, earned in the final three months of 2008. Net revenue rose 17% to \$4.95 billion. Revenue is an area that many investors are looking at closely this quarter because in the second and third quarters of 2009 any earnings growth was driven by cost cutting. Next week the earnings floodgates open with huge tech names like Microsoft, Apple, AT&T, Qualcomm, Verizon and Motorola all reporting. If we continue to see the market uncertainty and fear that permeated this week, next is likely to be another rocky ride. Take a wait and see approach. If the pattern of selling on good earnings news continues look to snatch up some top notch tech companies at discounted prices over the next few weeks.

- Bryce Istvan

### Utilities

---

The Utilities SPDR (XLU), finished slightly lower for the week, starting at \$31.08 on Monday and falling to \$29.82 Friday close. The sector may be hurt by expectations of rising interest rates, which would make the high-yielding utilities stocks less attractive than corporate bond yields. The sector would also be hurt in a rising rate environment due to the inherently high-debt nature of these businesses. Valuation seems to be at a reasonable rate, with the average stock in the sector trading at a 12x forward year earnings. This would place it well within the normal historical P/E range for the sector of 9-14x.

Daniel Salahub

## UPCOMING

## Earnings

<b>Monday, January 25</b>			
Before The Open		First Call	Yr Ago
AK Steel	AKS	0.21	-3.88
Bank of Hawaii	BOH	0.75	0.82
Eaton	ETN	1.23	1.08
Halliburton	HAL	0.27	0.87
Quest Diagnostics	DGX	0.96	0.87
After The Close		First Call	Yr Ago
Albemarle	ALB	0.57	0.42
Allegiant Travel	ALGT	0.48	0.88
Amgen	AMGN	1.16	1.06
Apple	AAPL	2.07	1.78
Crane	CR	0.54	0.56
Graco	GGG	0.26	0.17
Heartland Finl	HTLF	0.09	-0.18
Texas Instruments	TXN	0.49	0.21
VMware	VMW	0.26	0.36
Zions Bancorp	ZION	-1.64	-0.32
<b>Tuesday, January 26</b>			
Before The Open		First Call	Yr Ago
Baker Hughes	BHI	0.35	1.41
Convergys	CVG	0.31	0.19
Corning	GLW	0.42	0.16
Delta Air Lines	DAL	-0.24	-0.5
DuPont	DD	0.41	-0.28
EMC Corp	EMC	0.3	0.24
Energizer	ENR	1.84	1.93
Johnson&Johnson	JNJ	0.97	0.94
McGraw-Hill	MHP	0.4	0.42
Novartis AG	NVS	1.1	0.66
Nucor	NUE	0.07	0.34
Peabody Energy	BTU	0.29	1.11
Rayonier	RYN	0.42	0.53
Regions Fincl	RF	-0.34	-0.35
Sherwin-Williams	SHW	0.52	0.5

## UPCOMING

## Earnings

Sherwin-Williams	SHW	0.52	0.5
Travelers	TRV	1.49	1.58
U.S. Steel	X	-1.43	2
Verizon	VZ	0.55	0.61
Weatherford	WFT	0.11	0.53
WW Grainger	GWW	1.24	1.47
After The Close		First Call	Yr Ago
Altera	ALTR	0.29	0.28
Calamos Asset	CLMS	0.2	-1.24
Canadian Natl Rail	CNI	0.87	1.21
Gilead Sciences	GILD	0.85	0.6
McKesson	MCK	1.19	1.05
Meritage	MTH	-0.39	-2.58
Sunoco Logistics	SXL	1.42	-
Tempur-Pedic	TPX	0.37	0.17
Trustmark	TRMK	0.26	0.42
Yahoo!	YHOO	0.11	0.17

**Wednesday, January 27**

Before The Open		First Call	Yr Ago
Abbott Labs	ABT	1.17	1.06
Air Tran Holdings	AAI	0.03	-1
Allegheny Tech	ATI	0.23	1.15
AmeriGas Partners	APU	1.23	1.5
BlackRock	BLK	2.12	0.68
Boeing	BA	1.36	0.62
Caterpillar	CAT	0.28	1.08
ConocoPhillips	COP	1.13	1.28
Hershey Foods	HSY	0.6	0.59
Hess	HES	0.91	-0.23
McClatchy	MNI	0.25	0.26
MeadWestvaco	MWV	0.22	0.1

## UPCOMING

## Earnings

Piper Jaffray	PJC	0.53	-9.76
Praxair	PX	1.09	1.01
SAP AG	SAP	0.95	0.78
SEI Investments	SEIC	0.27	0.25
St. Jude Medical	STJ	0.62	0.6
Stanley Works	SWK	0.76	0.66
Tyco Electronics	TEL	0.39	0.22
United Tech	UTX	1.14	1.23
Valero Energy	VLO	-0.53	1.41
WellPoint	WLP	1.02	0.65
During Trading Hours		First Call	Yr Ago
Energen	EGN	0.86	0.91
Susquehanna Bnk	SUSQ	-0.03	0.21
After The Close		First Call	Yr Ago
AmeriCredit	ACF	0.08	-0.21
Covance	CVD	0.65	0.72
E*TRADE	ETFC	-0.04	-0.5
Elizabeth Arden	RDEN	0.72	0.61
Ethan Allen	ETH	0	0.19
Green Mtn Coffee	GMCR	0.16	0.16
Hanesbrands	HBI	0.56	0.5
Lam Research	LRCX	0.4	-0.09
LSI Logic	LSI	0.11	0.06
Murphy Oil	MUR	0.88	0.83
Netflix	NFLX	0.45	0.38
Noble Corp	NE	1.58	1.59
Norfolk Southern	NSC	0.84	1.21
Qualcomm	QCOM	0.56	0.31
Sun Microsystems	JAVA	-0.02	0.15
Symantec	SYMC	0.37	0.42
Teradyne	TER	0.15	-0.19
Tetra Tech	TTEK	0.29	0.27

## UPCOMING

## Earnings

<b>Thursday, January 28</b>			
Before The Open		First Call	Yr Ago
3M	MMM	1.21	0.97
Alliant Tech	ATK	2.2	1.96
Altria	MO	0.4	0.37
American Electric	AEP	0.46	0.59
AstraZeneca	AZN	1.53	1.25
AT&T	T	0.51	0.64
Ball Corp	BLL	0.71	0.56
Baxter	BAX	1.03	0.91
Bristol-Myers	BMY	0.41	0.46
Brunswick	BC	-1.32	-0.72
Cardinal Health	CAH	0.46	0.93
Celgene	CELG	0.62	0.43
CNX Gas	CXG	0.3	0.38
Colgate-Palmolive	CL	1.18	1
CONSOL Energy	CNX	0.74	0.97
Cypress Semi	CY	0.11	-0.08
Eastman Kodak	EK	0.18	-0.08
Eli Lilly	LLY	0.91	1.07
Estee Lauder	EL	1.1	0.8
Ford Motor	F	0.26	-2.46
Franklin Resources	BEN	1.47	0.52
Goodrich	GR	0.9	1.23
Harsco	HSC	0.44	0.46
Invesco	IVZ	-	0.17
Janus Capital	JNS	0.19	0.05
JB Hunt Trans	JBHT	0.32	0.43
Jetblue Airways	JBLU	0.03	-
L-3 Comms	LLL	1.86	2.04
Lockheed Martin	LMT	1.99	2.05
McCormick	MKC	0.9	0.84
Motorola	MOT	0.08	-0.01
Nokia	NOK	0.28	0.26
Occidental Petro	OXY	1.24	1.18

## UPCOMING

## Earnings

OptionsXpress	OXPS	0.26	0.32
Overstock.com	OSTK	0.48	0.04
Polaris Inds	PII	1.23	1.11
Potash	POT	0.79	2.56
Procter & Gamble	PG	1.43	1.58
Raytheon	RTN	1.23	1.13
Rockwell Collins	COL	0.73	0.95
Royal Caribbean	RCL	-0.05	0.01
Sony	SNE	-0.02	0.11
T. Rowe Price	TROW	0.55	0.31
Taiwan Semi	TSM	0.19	0.07
Teledyne Tech	TDY	0.74	0.84
Textron	TXT	0.09	0.4
Time Warner Cable	TWC	0.88	0.35
Tyco	TYC	0.56	0.61
Under Armour	UA	0.25	0.17
US Airways	LCC	-0.52	-1.93
Waddell & Reed	WDR	0.38	0.21
Wesco	WCC	0.5	1.06
Xcel Energy	XEL	0.36	0.35
Zimmer Hldgs	ZMH	1.08	1
After The Close		First Call	Yr Ago
Amazon.com	AMZN	0.72	0.52
Applied Micro	AMCC	0.04	0.06
Chartered Semi	CHRT	-	-0.05
Chordiant Software	CHRD	-0.01	0.02
Chubb	CB	1.46	1.58
City National	CYN	0.03	0.5
Columbia Sports	COLM	0.38	0.55
First Financial	FFIN	0.65	-
Genworth Financial	GNW	0.1	-0.48
Greenhill	GHL	0.14	-
Hub Group	HUBG	0.24	0.38
Microsoft	MSFT	0.59	0.47
PMC-Sierra	PMCS	0.15	0.07
SanDisk	SNDK	0.68	-1.65
Stanley Inc.	SXE	0.47	0.41

## UPCOMING

## Earnings

Sunpower	SPWRA	0.48	0.7
Synovus	SNV	-0.58	-0.59
Tessera Tech	TSRA	0.13	0.16

Friday, January 29			
Before The Open		First Call	Yr Ago
Chevron	CVX	1.71	2.44
Fortune Brands	FO	0.51	0.68
Graham	GHM	0.07	-
Honeywell	HON	0.9	0.97
Mattel	MAT	0.68	0.49
Newell Rubbermaid	NWL	0.27	0.11
NuStar Energy	NS	0.48	0.06

## Economics

Week of January 25 - January 29						
Date	ET	Release	For	Consensus	Prior	
25-Jan	10:00	Existing Home Sales	Dec	5.90M	6.54M	
26-Jan	9:00	Case-Shiller 20-city Index	Nov	-5.00%	-7.28%	
26-Jan	10:00	Consumer Confidence	Jan	53.5	53.3	
26-Jan	10:00	FHFA Home Price Index	Nov	0.10%	0.60%	
27-Jan	10:00	New Home Sales	Dec	370K	355K	
27-Jan	10:30	Crude Inventories	22-Jan	NA	-0.471M	
27-Jan	14:15	FOMC Rate Decision	27-Jan	0.25%	0.25%	
28-Jan	8:30	Initial Claims	23-Jan	450K	482K	
28-Jan	8:30	Continuing Claims	16-Jan	4600K	4599K	
28-Jan	8:30	Durable Orders	Dec	2.00%	0.20%	
29-Jan	8:30	GDP-Adv.	Q4	4.60%	2.20%	
29-Jan	8:30	Chain Deflator-Adv.	Q4	1.30%	0.40%	
29-Jan	8:30	Employment Cost Index	Q4	0.40%	0.40%	
29-Jan	9:45	Chicago PMI	Jan	57.4	58.7	
29-Jan	9:55	University of Mich. Sent.	Jan	73	72.8	

## DIG RESEARCH ANALYSTS

---

**Steven Romasko**  
Head Analyst  
Financial Sector  
sr3671@gmail.com

**Rishi Bambal**  
Consumer Discretionary Sector  
rishibambal@gmail.com

**Manoja Muthukumar**  
Consumer Staples Sector  
mm3238@drexel.edu

**Jake Tran**  
Materials Sector  
jaketran94@gmail.com

**Ben Kimble**  
Technology Sector  
bkk36@drexel.edu

**Daniel Salahub**  
Utilities Sector  
Daniel.j.salahub@drexel.edu

**Kevin Maloney**  
Head Analyst  
Energy Sector  
Kevin.maloney10@gmail.com

**Ankur Dadhania**  
Consumer Discretionary Sector  
Ankur.dadhania@gmail.com

**Aneesh Rikhi**  
Energy Sector  
Aneesh.rikhi@gmail.com

**Nate Flagg**  
Healthcare Analyst  
nateflagg@gmail.com

**Bryce Istvan**  
Technology Sector  
bji23@drexel.edu

**Christopher Cazier**  
Industrial Sector  
Christopher.cazier@gmail.com

**Shawn Sengupta**  
Consumer Discretionary Sector  
Sengupta.shounak@gmail.com

**Jeremiah Wang**  
Consumer Staples Sector  
Jerimiah.wang@drexel.edu

**Chris Born**  
Financial Sector  
ckb29@drexel.edu

**Cecil Cheriyan**  
Healthcare Sector  
cecilcheriyan@gmail.com

**Alex Vlasov**  
Technology Sector  
av354@drexel.edu

---

Past performance is not a guarantee of future results. There is no assurance forecasts will be attained. This and/or the accompanying information was prepared by or obtained from sources the Drexel Investment Group believes to be reliable. Any market prices are only indications of market values and are subject to change. The material has been prepared or is distributed solely for information purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy.