

Weekly Comment

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Market Overview

The Dow Jones Industrial Average fell 350.41 points (3.29%) last week to 10,303.15 as the Federal Reserve move to support the economy by buying back more government debt served to underscore investor concerns about the health of the economic recovery. In any event, all the move did was put off the de facto tightening that would have occurred if Fed did not reinvest funds from mortgage securities that are being paid down. Fears of an economic slowdown were fanned by this morning's news of minimal second quarter economic growth, 0.1%, for Japan.

In the News

Dynergy (DYN-4.53) Charged Up

Dynergy shares rose 26% last week as an agreement to be acquired by Blackstone Group (BX) for \$4.7 billion (ex debt, \$543 million or \$4.50 per share) was announced. Blackstone plans to sell four natural gas plants for \$1.36 billion to NRG Energy (NRG). This would be the largest private equity deal so far this year.

Cisco Systems (CSC-21.36) Routed

Cisco Systems reported strong second quarter results...but they weren't strong enough. Adjusted EPS of \$0.43 versus \$0.31, edged the consensus estimate of \$0.42, but sales at \$10.84 billion came in just short of the \$10.88 billion estimate. Moreover Chief Executive John Chambers said in a conference call that the Company is "seeing a large number of mixed signals in both the market and from our customers' expectations," and that he thinks "the words 'unusual uncertainty' are an accurate description of what is occurring." The stock was down 11% for the week.

The Week Ahead

On the economics front, all the reports are expected to show continued, albeit moderate, growth for the economy. Once again retailers will dominate the earnings calendar and are likely to post universally higher earnings. It will be a quiet week for Treasury auctions: Monday: \$30 billion of three-month bills and \$30 billion of six-month bills.

Economic Indicators

		Expected	Last Period
Tuesday, August 17:	July Housing Starts	560,000.00	549,000.00
	July Producer Price Index	0.20%	-0.50%
	July Industrial Production	0.50%	0.10%
Thursday, August 19:	July Leading Indicators	0.40%	-1.30%
	Aug. Phil. Fed Survey	0.20%	-0.10%

Source: Bloomberg



Selected Corporate Earnings

		Period	Estimate	Year Earlier Period
Monday, August 16:	Lowe's Co.	2Q	\$0.59	\$0.53
	Urban Outfitters	2Q	\$0.39	\$0.29
Tuesday, August 17:	Abercrombie & Fitch	2Q	\$0.16	(\$0.09)
	Home Depot	2Q	\$0.71	\$0.64
	TJX Co.	2Q	\$0.73	\$0.61
	Wal-Mart Stores	2Q	\$0.97	\$0.88
Wednesday, August 18:	Deere & Co.	4Q	\$1.22	\$0.99
	Limited Brands	2Q	\$0.46	\$0.22
	Target	2Q	\$0.92	\$0.79
Thursday, August 19:	Aeropostale	2Q	\$0.46	\$0.38
	Dell	2Q	\$0.30	\$0.29
	Dick's Sporting Gds	2Q	\$0.41	\$0.36
	Gamestop	2Q	\$0.27	\$0.23
	Gap	2Q	\$0.35	\$0.33
	Hewlett-Packard	3Q	\$1.08	\$0.91
	Salesforce.com	2Q	\$0.27	\$0.17
	Staples	2Q	\$0.20	\$0.16
	Williams-Sonoma	2Q	\$0.22	\$0.05
Friday, August 20:	Smucker (J.M.)	1Q	\$0.97	\$0.02

Source: Thompson First Call

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