

OLYMPIA ASSET MANAGEMENT

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Paul J. Resnik, CFA

The View from Olympus

Market Overview

The Dow Jones Industrial Average rose 81.58 points (0.71%) last week to 11,573.49, its highest finish since August 2008; this despite news that GDP was up 2.6% in the third quarter, better than the 2.5% initially reported, but less than the consensus estimate of 2.8%. The Standard & Poor's 500 Index finally reached its pre-Lehman level aided by advances in 14 of the past 16 trading sessions. In fact, if the market can hold its recent gains, this would be the best December for the S&P since 1987 (and that only reflected a bounce from the October 1987 crash). While some investors cynically like periods when the federal government is in gridlock, others may have been heartened by the apparent reemergence of a functioning government during the recent lame duck session. Not only did the Bush era tax cuts get extended, but this was followed by the approval of the strategic arms-control treaty (aka START) with Russia, the bill provided assistance to ailing Ground Zero workers, the ending of the "don't ask don't tell" policy regarding homosexuality in the armed forces, and the bill to keep the government running through March 4. On this last item, it will be interesting to see when a new spending bill is approved if the Congress which could come together to cut taxes can come together with a plan to cut deficits (including spending cuts).

In the News

NIKE (NKE-86.05): Just Doin' It Just Not Good Enough

NIKE reported November quarter EPS of \$0.94, up 22% and beating the consensus analyst estimate of \$0.88. Still, it warned that rising costs would eat into its profit margins in coming quarters and its orders indicated that future sales may fall short of some analysts' estimates. It will be interesting to see if, as economic activity picks up, other manufacturers begin to have profit margin issues. NIKE stock fell 4.4% during the week but, even after the decline, the shares remain up 30% for the year.

Jo-Ann Stores (JAS-60.19): Paying Retail

Jo-Ann Stores' shares rose 33% last week as Leonard Green & Partners, a private equity firm, agreed to buy the fabrics/crafts retailer for \$61 per share (about \$1.6 billion). There has been a noticeable pick up in activity by private equity firms, and this may help support the current positive stock market momentum.

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Olympia Asset Management, Ltd. 888 7th Ave. New York, NY 10019 212-586-7525

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The Week Ahead

It's hard to remember a week, even a holiday-shortened week, with such a dearth of economic and earnings releases. Perhaps that's why some note was given to a signal given by the "Hindenburg Omen," a technical indicator, named after the doomed airship, which has shown a 75% probability of a 5% correction. In any event, given reports of a strong holiday season for retailers, it's not surprising that expectations are for an improvement in the consumer confidence index. On the other hand, the Chicago Purchasing Managers' Index is expected to show a slight decline. I've included the Cal Maine Foods earnings report in the Selected Corporate Earnings chart, not because the nation's largest shell egg producer is of particular interest but because there wasn't anything else to put on the list. In any event, those of us who buy eggs will understand why earnings are expected to have a positive comparison. The Treasury auctions this week are: Monday: \$29 billion of three-month bills, \$28 billion of six-month bills, and \$35 billion of two-year notes; Tuesday: \$35 billion of five-year notes; and Wednesday: \$29 billion of seven-year notes.

Economic Indicators

		<u>Expected</u>	<u>Last Period</u>
Tuesday, Dec. 28:	Dec. Consumer Confidence	56.3	54.1
Thursday, Dec. 30:	December Chicago PMI	61.0	62.5

Source: Bloomberg

Selected Corporate Earnings

		<u>Period</u>	<u>Estimate</u>	<u>Year Earlier Period</u>
Monday, Dec. 27:	Cal Maine Foods	2Q	\$0.72	\$0.67

Source: Thompson First Call

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