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Daily Market Notes

Market Update:

DJIA:	**12359**
S&P 500:	**1328**
Nasdaq:	**2775**
10YR T-Note:	**3.43%**
VIX:	**17.61**
EUR/USD:	**1.418**
Gold	**1438**
Crude Oil:	**106.22**

Prices Current as of 12:45 PM

Source: Bloomberg

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Special Comment: Barron's in its current edition dated March 28, 2011 quoted from last Tuesday's, March 22nd, external Daily Market Notes, in their "Market Watch" section, and this was distributed on Monday.

After Tuesday's turnaround to the upside, things continued higher yesterday, except this time there was no drama like there was on the first two days of the week when the market ended in the opposite direction from where it had started out. Yesterday, the major averages opened to the upside and never looked back, as the Dow reached its high of the day with a gain of 104 points at 1pm, before chopping slightly lower from those best levels to end with a 71 point advance. And helping things to go the distance was that the Nasdaq/Dow ratio was strong again, with the former closing with a 20 point advance, and this better participation was reflected in an advance/decline ratio of almost 3 to 1. Aside from the fact that we are in a bull market until proven otherwise, the main reason offered for yesterday's advance was that A.D.P. came out with what was considered a good estimate for tomorrow's jobs report as they said that 201,000 private sector jobs were created. And the poor old VIX took another downside journey, declining by .45 to 17.71, leaving the bearish contingent saying to themselves – what were we thinking when we pushed it as high as 31.28 two weeks ago during the Japanese nuclear frenzy situation.

And once again, there were characteristics of the market that we have been seeing on a regular basis lately which manifested themselves again, such as new highs in Dow machinery and energy stocks, strong gains in many of the high-priced technology stocks to almost new all-time highs in some and actual new highs in others. The unrelenting strength in these types of stocks is the main factor why the Nasdaq gets as strong as it does on these types of up-days.

As the first-quarter draws to a close today, we should take a look at where things have been these past three months, which has certainly included its

share of cataclysmic worldwide events which so far have not prevented the market from gaining for the third straight quarter, going back to the last two of 2010. As of yesterday, the S&P had advanced by 5.6% in 2011, which has been its best first three-months of the year performance since the 14% phenomenal advance that started out the year of 1998.

But the champ for the first-quarter has been the Russell 2000, ahead by 7.2% so far this year, the best performance of any of the main averages, and it is the only one that is flirting with its all-time high, which was 856 reached in July 2007. It closed yesterday at 840.

As far as groups go, the best performing one among the larger stocks has been the oil exploration type stocks, many of which are the best gainers so far.

And as far as what happens to the market after a strong first-quarter of the year, history is on the side of the bulls, as if the S&P gains between 5-7% during this time, then it rises another 7% in the final three quarters of the year, according to the historical data going back to 1928. And even though April can see its share of large comedowns, as what took place when the major averages were coming off of their March 2000 highs, the Dow has actually averaged an April gain of 4.2% over the past five years, according to the historical data as well.

Maybe investors are saving all of the drama for tomorrow after the jobs report, because the last trading day of the quarter today has been extremely uneventful so far. The Dow reached a gain of 31 points at 10:30am, which almost got it to the high of the year achieved on February 18th, which was 12,391. Today on that early rise, it got to 12,381. From that level, it has declined to show a small loss as this is being written. On that early gain, the VIX got down to as low as 17.63, which was less than it should have been, which also goes to show that the declines become more difficult as it starts getting close to the ultimate downside support level of 15.35.

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There were a number of economic reports today, with weekly jobless claims declining to a one-month low and the March Chicago Purchasing Managers' Survey declining a bit from last month's best level since 1988, but the employment component of this report did reach its highest since 1983. The March N.A.P.M. Milwaukee Index rose a bit and February factory orders declined slightly.

Despite all three of the major averages being slightly lower, breadth numbers are actually positive by a 16/13 ratio, which means that smaller stocks are in demand as the quarter comes to an end. Those awful financial stocks, which got a one-day reprieve yesterday, are doing their usual thing by declining a bit today, and that is hurting the larger averages somewhat. Some of the energy and resource stocks are doing better on sharp gains in oil and other commodity prices, and this ongoing rise in these items could spell trouble down the road as inflationary pressures will continue to build as the second-quarter begins and it will be important to see how these higher raw material costs are going to start to affect profit margins.

Volume is once again on the light side and it will be interesting to see if there is a larger volume spike on the close, which oftentimes happens on the final trading day of a quarter and especially as investors position themselves for tomorrow's always important jobs report.

The S&P trades at 13.7 times forward earnings, and 15.7 times current earnings, as 2010 earnings are going to be $85 for the S&P and $99 for 2011, according to the analysts who follow these companies. The average P/E multiple for the S&P going back to 1954 has been 16.2.

For all of 2010, earnings increased by +30%, which was the most since 1995. For 2011 the analysts are forecasting increases of +17%, as reported by Bloomberg Financial and this would be the largest two-year advance since the period ended in 1995. This means that S&P earnings for 2010 were $85 and projected to be $99 in 2011. This would equate to around a 17% gain this year. The highest ever earnings for the S&P in one year took place in 2006, at $88.

After four consecutive quarters of negative G.D.P. growth, we now have six consecutive quarters of positive growth, starting with the third-quarter of 2009 and continuing with every quarter in 2010 according to the Commerce Department. For all of 2010, G.D.P. rose at a 2.9% rate, which was the highest since 2006 after a decline of 2.6% in 2009. For 2011, the prediction is G.D.P. growth of 3.5% and it is 3.9% in 2012.

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Disclosures

Don Selkin is the Chief Market Strategist at National Securities Corporation, member FINRA/SIPC, (NSC) and provides the Fair Value analysis for CNBC each morning. The commentary provided in this Market Letter is intended to provide our customers with timely market analysis and should not be considered a research report. This Market Letter may contain, and is limited to: Discussions of broad based indices; Commentaries on economic, political or market conditions; Technical analyses concerning the demand and supply for a sector, index or industry based in trading volume and price; Statistical summaries of multiple companies' financial data, including listings of current ratings; and, Recommendations regarding increasing or decreasing holdings in particular industries or securities. This Market Letter does not make a financial or investment recommendation or otherwise promotes a product or service of the firm. This Market Letter contains only news, facts, and commentary on information previously reported from a news source believed to be accurate and reliable by the author. These news sources include the following: {Bloomberg Financial, Reuters, Associated Press}. It is possible that at any given point in time, the author, NSC, or one or more of its employees or registered individuals associated with NSC, may hold a position, either long, or short, as well as options, bonds, or other instruments in the companies noted in this report. This Market Letter is intended strictly for current National Securities Corporation customers only.