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Daily Market Notes

Market Update :

DJIA:	**12907**
S&P 500:	**1364**
Nasdaq:	**2965**
10YR T-Note:	**2.01%**
EUR/USD:	**1.32**
VIX:	**17.88**
Gold:	**1696**
Crude Oil:	**106.86**

Prices Current as of 1:05 PM

Source: CNBC

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For those who panicked and sold the market to that 203 point Dow loss on Tuesday, we ask them the old question – "so what did you accomplish?" because after the largest sell-off in three months due to supposed "worries" that the Greek bond swap process was in "trouble", things bounced right back to the upside yesterday. Once again, when the primary trend is up, until that changes, one should maintain a friendly bias until there is more definitive proof that the factors that have propelled the market higher these past several months are no longer there to support it.

After that large Tuesday selloff, things immediately started out higher again and basically never looked back, which means that there was obviously an element of non-reality to the large down-move and just gives the financial media "experts" all kind of reasons to say that the market had gotten "ahead of itself". But those nice very round number recent highs, namely Dow 13,000, S&P 1370 and Nasdaq 3,000, which will co-incide once again with the VIX being at its 16.50 support level could act as upside stoppers again, as only when these numbers are broken through will the market have the ability to move a little higher as the VIX will then drop closer to the level that it cannot go below, namely 10.

Things accelerated to the upside around 11am when it was reported that the Federal Reserve is considering a bond-buying program designed to lessen concern about future inflation if they do decide to take additional steps to boost the economy. They would effectively print new money to buy long-term mortgage or Treasury bonds at the same time that they would tie the money up by borrowing it back for short periods at low rates. As a result, the Dow was able to achieve its best level of a 98 point gain before ending 78 point higher.

Breadth numbers were 4 to 1 to the upside, the Euro rose back up to 1.3150 and naturally crude oil, gold and bond yields all went higher as well. And the type of action we have seen these past few days negates all of the talk this year that things are "different" from last year in that the markets are not blindly following each other both lower and higher as the case may be – remember during Tuesday's panic selling, all of the just-mentioned items went lower and yesterday as stocks rose, they all went higher at the same time. So once again, despite the denials by various market experts, we are seeing the same "risk-on, risk-off" mentality that was so prevalent last year. And to further prove my observation, the same groups of stocks that led the downside on Tuesday turned right around and led the upside yesterday, namely the financials and industrial cyclicals.

Supposedly helping the upside as well was the prediction from A.D.P. for Friday's jobs report, and it came out at 216,000 which was interpreted as friendly for the market. And to prove the absurdity of Tuesday's selloff even further, the official estimate for the A.D.P. prediction was 215,000, so why was 216,00 such a bullish surprise?

After the panic selling on Tuesday because of the "fears" that the Greek debt swap, which is a precursor to their getting the second bailout package on March 20th, would not be approved, yesterday investors changed their tune very quickly because now the thinking was that there will almost certainly be a successful bond swap because Greek banks, which hold around $40 billion Euros of the sovereign bonds, will take part in the offer. State-run pension funds are also expected to sign up and 12 more major Greek bondholders on the committee that drew up the deal all said that they would support the swap as well. These Greek banks and other yes voters so far hold about 39% of the $206 billion Euros of bonds in circulation that are eligible for the exchange. Greece wants a 90% participation rate in this deal and if it falls to above 75%, there are collective action clauses in effect to force losses on those who do not volunteer.

In addition to the Greek drama, there was also the focus on the introduction of another new product from AAPL, this time the latest iPad3. Up until recently, the shares inevitably sold off on these new rollouts because of the old buy the rumor, sell the news mentality despite how successful the product eventually was and whose overwhelming acceptance by the investment community would inevitably push the stock to higher and higher levels. Because for some reason the stock had gotten blasted to the downside on Monday and Tuesday, the initial reaction to the yesterday's presentation was to sell the stock off even further before it made a very late comeback to end slightly higher and it is gaining even more today, which also begs the old question to those who sold it to the lows – "so what did you accomplish?"

After yesterday's nice comeback, those who panicked and sold on Tuesday are looking more and more foolish, as things once again started out higher and are maintaining their best levels as this is being written. And that Greek drama has once again been offered as the reason why the market is moving one way or the other. The count is now almost 75% of the holders of Greek bonds have agreed to the offer and this gets it closer to that 75% minimal level needed for approval as mentioned above. And betting on the "March Madness" N.C.A.A. basketball tournament has nothing on betting on the percentage of Greek bondholders who agree to participate in the deal. In fact, the Greek Finance Minister said that he looks forward to "maximum participation by the private sector." In a worst case scenario, there must be two-thirds minimum participation to deploy a legal device to force any holdouts to accept the terms.

This acceptance of around a 74% cut in the value of those who hold current Greek bonds will allow more than $100 billion Euros to be eliminated from Greece's massive public debt and this will lead to final approval of the $130 billion Euro second bailout package agreed to last month. Of course, this does not eliminate the tremendous problems facing their economy, with the unemployment rate at 21%, twice the Euro average, and 51% of young people without jobs.

And once again, similar to yesterday, when stocks go up, so do the other markets in that sheepish follow the leader fashion, as the Euro, crude oil, gold and bond yields are all rising in another follow the leader "risk on" type of day. And the VIX is getting blasted to the downside once again, lower by 1.25 to 17.82 versus a Dow gain of 76 points as this is being written. Breadth numbers are strong for the second day as well, at a positive 3 to 1 ratio.

The only potential difficulty is that the market is gaining a head of steam going into tomorrow's jobs report, and this is not the best scenario that one wants to see ahead of a major event, because it then raises the upside bar, so to speak. Of course, this does not mean that the market cannot go higher in any event, but as the major averages once again get closer to their recent round-number highs as mentioned above and the VIX gets closer to that 16.50 level, the upside might become a little more difficult.

Finally, for those market historians out there, AAPL has achieved a $500 billion market cap, and this follows in the glorious history of the other companies to have gotten to this exalted status- and they are in order- MSFT, GE, CSCO, INTC and XOM, all of whom were lower in price a year later and none of them might ever get back to that level again, so let us see if history is going to change with the present situation. A price of $536.34 puts it at exactly $500 billion with 932 million shares outstanding.

Earnings are just about finished with 495 of the S&P companies having reported a gain of around 5.8% this quarter, which would be only 2.9% if the results from AAPL were not included, so it was not such a great quarter, but the market historically can advance even as earnings growth is slowing down.

The S&P trades at 13 times projected 2012 earnings of $102, which has been a major supporter of stocks lately. Earnings were $85 in 2010 and are projected to be $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. Since 2006, the average P/E multiple has been 14.7

For 2011, earnings rose by 9.4% to $97. This is the highest ever earnings for the S&P in one year. For 2012, earnings are projected to be $102 for the S&P and for 2013 the estimate is for $107.

After four consecutive quarters of negative G.D.P. growth, we now have 10 consecutive quarters of positive growth, starting with the third-quarter of 2009, every quarter in 2010 and every quarter in 2011 as well. For 2011, G.D.P. rose at a 1.7% rate, and it is projected to grow by 2.2% in 2012, although estimates for this number vary widely and are constantly changing.

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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.