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Daily Market Notes

Market Update :

DJIA:	**12949**
S&P 500:	**1373**
Nasdaq:	**2992**
10YR T-Note:	**2.05%**
EUR/USD:	**1.31**
VIX:	**16.90**
Gold:	**1711**
Crude Oil:	**107.40**

Prices Current as of 12:45 PM

Source: CNBC

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Yesterday's strong market action put the finishing touches on those who panicked sold the market to its worst loss in three months on Tuesday, only to see the S&P complete its largest two-day gain this year, and once again we ask them the old question – "so what did you accomplish?" And as everyone should know by now, the primary reason put forward for that market meltdown was that the Greek bond swap deal was "in trouble", whatever that was supposed to mean.

So instead of the deal not going through, as the bearish contingent was yakking about on Tuesday, it actually won strong acceptance from the private creditors, and this deal will now eat into that country's huge public debt and open the way for a new bailout. And even though the deal was accepted, the political wrangling continued, with France saying that the Greek problem had been settled, while Germany said that any conclusions that the crisis was over "would be a big mistake", so on and on we go. Of course the fact that the French president is running for re-election was probably the reason for his self-serving statement on this supposed "accomplishment" as it makes him look better to the electorate, as if he helped resolve a major crisis. As far as the Greek people themselves are concerned, it means more difficult austerity with more wage and pension cuts amid soaring unemployment. And this goes along with an economy that shrank by 7.5% last year, its fourth straight year of recession. Creditors tendered 85.8% of the $177 billion Euros in bonds required by Greek law. This will now reach 95.7% of all privately-held Greek debt with the use of those "collective action clauses" to enforce the deal on creditors who refused to take part voluntarily.

The Dow reached its best level at 3:15pm with a gain of 99 points after basically being higher all day for the second session in a row. It closed with a 70 point gain, but this is not where the real action was because two members alone were responsible for 32 points of losses, namely MCD on weak overseas same-store sales forecasts and XOM on a forecast of lower gas and oil production. On the other hand, a strong Nasdaq/Dow ratio ensured that the rest of the

market would go the distance, as the former ended with a closing advance of 34 relative to that Dow 70 point gain, which meant that breadth numbers would be excellent, which they were at a 4 to1 positive ratio.

The VIX continued declining at a more rapid pace than it should have, falling by 1.12 to 17.95 and now where is all of that yapping about the fact that during Tuesday's downside debacle, it rose above its 50-day moving average for the first time since November, which all of a sudden became much ado about nothing, because what was a person supposed to do on this ostensibly "negative" news – sell out at Tuesday's lows?

And naturally when the market rose, all of the little sycophantic followers did their upside thing with energy prices, gold, bond yields and the Euro all rallying higher, with the 10-year yield back up to 2.02%, so what did kind of "quality" did those investors who ran into bonds in Tuesday's "flight to quality" accomplish? And once again, those stocks that led the Tuesday selloff did the best for the second day in a row, and this included the financials, industrial cyclicals and the technology groups.

Now that the Greek situation has calmed down for the time being, investors turned their attention to today's February jobs report, which was a good one overall, as the overall number was ahead by 233,000 after a 6,000 decline in government payrolls, which meant that private payrolls rose by 227,000. The unemployment rate stayed at 8.3% but 61,000 more jobs were added in December and January than originally reported. The average workweek stayed at its highest level in four years.

Sentiment was also helped by the fact that China's consumer inflation rate fell to a 20-month low. This was interpreted to mean that the government there can potentially further ease monetary policy, and when the market goes in a certain direction, one always has to throw in an overseas "explanation" to justify the moment.

On the other hand, the U.S. trade deficit for January widened out to its highest level since October 2008 on a rise in imports, and this was primarily due to higher oil prices, and this could detract from first-quarter G.D.P.

As a result, the Dow hit its best level with a gain of 61 points and is currently ahead by 42 as this is being written. Breadth numbers are strong once again at almost a positive 4 to 1 upside ratio and the VIX is declining by more than it should be with a loss of 1.03 to 16.92. This is going to set up an upside confrontation next week, as in addition to the VIX getting closer to that 16.50 downside support level, the Nasdaq is getting closer to that nice round 3,000 level as it is currently at 2,992. The Dow is still 47 points below the 13,000 level and the S&P is also getting closer once again to resistance just short of 1,380. So the battle will be fought at these round numbers to see if the market can break out and attain a new higher beachhead.

And once again, we are getting the lemming-like followers such as crude oil, gold and bond yields following stocks higher, with the 10-year Note at 2.05%. The only market that is out of sorts today is the Euro, which is getting blasted on the downside for some reason, down to 1.3115, perhaps on the perception that today's strong jobs report certainly means that there will be no further Fed easing, and also the perception, correct or not, that the Greek contagion could spread to other weak E.U. countries, with Ireland and Portugal the worst bad boys at the moment, as the prices of their bonds have been sinking this week.

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.