



## Stocks market only as strong as latest data

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NEW YORK — There's a tug of war in the financial markets between investors who believe the economy is on its way to a strong recovery and those who believe a rebound is likely to be slow and bumpy.

The result: a spate of volatility in stock trading that's likely to continue this week.

"That wide divergence in opinion can lead to wide swings in market prices," said Greg Walker, an investment strategist in JPMorgan Chase & Co.'s private banking division.

For the past several weeks, upbeat investors have dominated the market, helping stocks move higher. However, the market's momentum is only as strong as the latest economic or earnings report.

This week brings reports including readings on retail sales, manufacturing, housing starts and inflation. The Labor Department also provides its weekly look at unemployment benefits claims.

Tom Villalta, lead portfolio manager of the Jones Villalta Opportunity Fund, said economic reports are playing a heavy role in the day-to-day gyrations of the market as investors look for evidence to back up their views on the recovery.

"It's a matter of bolstering one side over another," Villalta said. "People are taking anything that comes out to bolster one opinion or another."

Monday's Commerce Department report on October retail sales is likely to set the tone for the week. Economists polled by Thomson Reuters predict retail sales rose 0.8 percent in October after a 1.5 percent drop in September.

Analysts generally agree stronger consumer spending is needed for any rebound. And disappointment is likely to send stocks falling.

"A steady stream of mediocre news from the consumer sector does not translate into high numbers for the stock market," said Mike Schenk, senior economist for the Credit Union National Association.

Meanwhile, major retailers reporting third-quarter earnings will have their own take on the consumer. Home Depot Inc., Target Corp. and TJX Cos. are among those reporting.

Better-than-expected earnings and outlooks from Abercrombie & Fitch Co. and J.C. Penney Co. helped push stocks higher Friday. Wal-Mart Stores Inc. reported stronger-than-expected earnings Thursday, but said sales are likely to be little changed during the fourth quarter at stores open at least a year.

The Dow Jones industrial average ended the week up 2.5 percent, while the broader Standard & Poor's 500 index rose 2.3 percent. The Nasdaq composite index rose 2.6 percent.

Retailers' sales outlooks are likely to be even more important than last quarter's results.

**"We're particularly looking at guidance for the holiday season," said Benny Lorenzo, CEO of investment bank Kaufman Bros. He said the market has factored in weak holiday sales for the second straight year, so any corporate outlooks that lift those hopes would have a positive effect on the market.**

Consumer spending accounts for about 70 percent of all economic activity, so without a boost from shoppers, the economy is likely to stagger through the end of the year as government stimulus spending eases and there is nothing to take its place.

Meanwhile, a Commerce Department report on housing due Wednesday is expected to show home starts rose 2 percent in October to an annual rate of 600,000 units. Building permits, a sign of future activity, are expected to have increased 1 percent to an annual rate of 580,000.

Schenk said the housing market is still far from fully recovering. And that has hurt consumers' confidence and changed their spending behavior.

Inflation data is expected to have the least effect on the market as most analysts believe the numbers will just affirm comments made recently by Federal Reserve Chairman Ben Bernanke that inflation is not a near-term issue.

The Producer Price Index, which measures inflation at the wholesale level is due out Tuesday and likely rose 0.4 percent in October. The Consumer Price Index, a measure of prices at the retail level, likely gained 0.2 percent. That report is due Wednesday.

Regional manufacturing data — the Empire State and Philadelphia Fed manufacturing reports — will be released Monday and Thursday, respectively. The Federal Reserve's report on October industrial production, due out Tuesday, is expected to show 0.4 percent growth.

The Labor Department's weekly tally of first-time claims for unemployment comes out Thursday. JPMorgan's Walker said investors will be looking to see if the downward trend of the past few weeks continues.