

Market Outlook

10-Day Tactical: Bullish

PORTFOLIO STRATEGY

Equity: 60%

Cash: 15%

Today's Market Movers

IMPACT

- ✓ McDonald's Profit Beats Estimates +
- ✓ Harley Posts Record Rev, EPS +
- ✓ PepsiCo Profit Rises 71% +
- ✓ Trade Deficit Widens to Record \$68b -

Recent Research Review

AMZN, MCD, PSB, EMMS, KEYS, NBR, LAVA, AFL, GNW, LNC, MFC, MET, NFS, PFG, PRU, SLF, TMK, EIX, MTLG, FCS, EP, POM, CVC, CMCSA, HORC, USB, AES, WIN, CPA

Statistics Diary

12-Month S&P 500 Forecast: 1200-1450
 S&P 500 Current/Next EPS: 89.00/95.00
 S&P 500 P/E: 15.17
 12-Month S&P P/E Range: 12.6 - 15.3
 10-Year Yield: 4.76%
 12-Mth 10-Yr. Bond Forecast: 5.00-5.35%
 Current Fed Funds Target: 5.25%
 12-Month Fed Funds Forecast: 4.5-5.50%

PREVIOUS 200-DAY CLOSE AVERAGE

DJIA: 11852.13 11174.22
 S&P 500: 1349.95 1286.16
 NASDAQ: 2308.27 2224.12
 Large/Small Cap: 0.99 0.97
 Growth/Value: 0.87 0.88

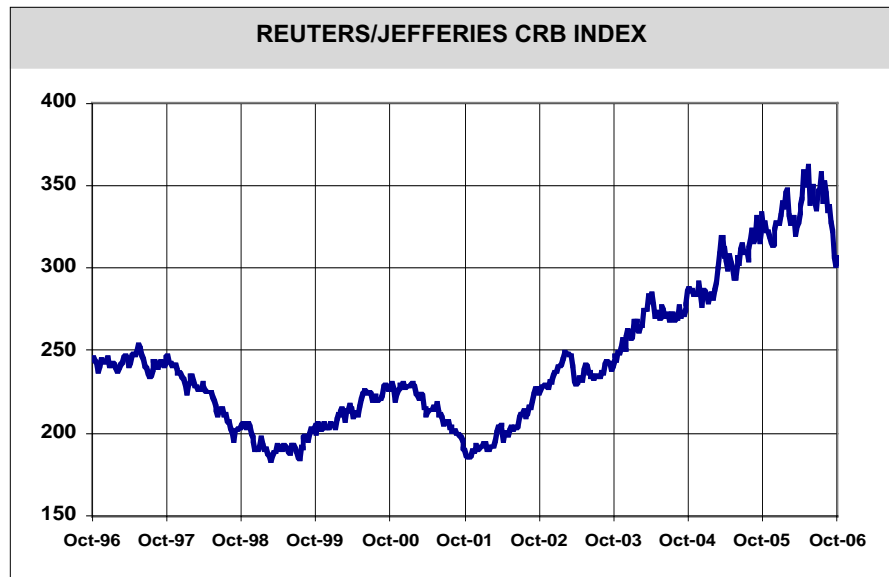
CURRENT RANKING

Five-Day Put/Call: 0.91 Positive
 Momentum: 2525000 Negative
 Bullish Sentiment: 38% Positive
 Mutual Fund Cash: 4.40% Neutral
 Vickers Insider Index: 3.35 Negative

DAILY SPOTLIGHT: Commodity Prices Plunge

We recently opined that profit margins may finally be peaking. Recent data show that wages are finally growing briskly. While this may cheer consumers (but worry the Fed), wage inflation puts great pressure on margins because labor typically accounts for at least half of expenses. But the recent drop in commodity prices should help margins. While the recent plunge in energy prices has made the headlines, prices for a broad range of industrial and agricultural commodities have also declined sharply. We have charted the Reuters/Jeffries CRB Index, a broad index of futures contract prices for 19 commodities. From late 2001 to its peak early this summer, the index nearly doubled. Since then, however, the index has declined by nearly 14%. No doubt, demand from China and other rising industrial powers remains strong — so the decline could be temporary. But speculators have clearly played a role on the way up and are now rushing to unwind bullish bets on the way down. Also, the U.S. economy remains the engine of global growth and is showing clear signs of slowing.

REUTERS/JEFFRIES CRB INDEX



Stockpicker's Corner

EW SCRIPPS CO. (NYSE: SSP)..... BUY

EW Scripps appears to be back on track after a painful asset sale. Scripps recently announced the sale of its five Shop At Home local broadcast television stations for \$170 million. The stations were the only remaining asset of the company's closed Shop At Home division. We think management was right to close this money-losing business. The company has beaten expectations for the past three quarters, and we expect the trend to continue in Q306. Our valuation analysis also renders favorable results. Using our long-term growth rate forecast of 12%, our three-stage discounted cash flow model indicates a theoretical value of \$67 for SSP shares.

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