



THE DANA VIEWPOINT

February 13, 2012

Dow: 12,856

SUPER MARKET

So, the Giants won the Super Bowl. Statistically, that means the odds favor a bull market in stocks this year as an NFC team won the Super Bowl. We are certainly off to a good start in that respect. The S&P index of 500 stocks advanced 4.67% in the month of January. Economic data has also picked up. Most notably - job creation. The private sector added 243,000 new jobs in January. This was up from 203,000 in December, and the unemployment rate dropped to 8.3% from 8.5% in December. Most private occupations showed gains including 70,000 new business services jobs, 50,000 in manufacturing and even 21,000 in the construction industry. The labor force in general expanded by more than 500,000, which means that more unemployed have returned to the job hunt. In business and the stock market, the trend is your friend. The trend right now is pointing up. We will continue to monitor the trend.

How can this be happening with the headline news somewhat negative? To begin with, companies have spent the last several years getting their financial house in order. Unfortunately, that meant laying off employees – the unemployment rate did peak at 10%. On the other hand, companies upgraded their technology, thereby, increasing productivity and profit margins. They have also built up cash reserves totaling over \$2 trillion on their balance sheets. That money is now starting to find its way into expansion of new plant, equipment and labor. In addition, individual investors have socked away over \$1 trillion in short-term money market funds. This money is also starting to find its way into investments and new business start-ups.

With growth slowing in China and Europe, many companies are looking to add capacity and some are even bringing their overseas operations home. Construction and industrial companies are experiencing increased demand. William Plummer, CFO at United Rentals (the world's largest equipment rental company) said in a recent interview, "We are coming out of the depths of the recession and are starting to build momentum on the upside." United Rentals plans to increase capital spending by about a third to \$1 billion this year. Cummins Inc. which makes engines for trucks and heavy equipment is boosting its capital spending to more than double its rate of two years ago. Union Pacific expects to buy twice as many locomotives this year, spending about \$400 million. Caterpillar has earmarked \$4 billion in new spending this year. The list goes on. If you check the common stock prices for these companies, you will see that they are trading at or near their highs, so this growth has not gone unrecognized.

(CONTINUED ON REVERSE SIDE)

There is a new boom emerging in the oil and gas patch. Innovations in drilling techniques such as hydraulic fracturing (fracking) and horizontal drilling have made it easier to extract oil and natural gas from shale and other rock formations. These new sources of energy could make us almost self-sufficient and not put us at the mercy of Middle East and South American countries. This will also put more money in the pockets of consumers with reduced prices at the pump and reduced heating bills. Companies that rely on energy, such as UPS, FedEx and even the USPS would see tremendous cost reductions and hopefully pass them on to consumers.

These new drilling techniques will allow companies to double or triple growth in just a few years. Of course the EPA (Environmental Protection Agency) has been and will continue to scrutinize this technology for any damage to the environment or to personal health - much has been researched already with no harmful effects noted. Most of the drilling is from 2-5 miles underground and has shown no noted effect on drinking water. Let's hope we can keep making progress in this area.

Ides of March. This refers to the midpoint of the month of March, May, July and October in the Roman calendar. It also refers to the day Julius Caesar was stabbed (23 times) by Brutus and 60 cohorts. This is famously dramatized by Shakespeare when Caesar is warned by a soothsayer to, "Beware the Ides of March." The European Union is still wrestling with a plan to save Greece from bankruptcy. Without some sort of bailout plan, it appears unlikely Greece will have the funds to make its March payment of 14.5 billion Euros due March 20. Every time the Greek government announces a new austerity plan, there are riots in the streets. Once you become an entitlement nation, it is difficult to take away or pare back those benefits. There was a deal reached for aid to Greece, but there were conditions attached. Specifically, that spending cuts are identified and new austerity plans passed into law before any financial assistance would be forthcoming. If Greece defaults, expect a rush into US Treasuries lowering rates further.

Late Note: The Greek Parliament approved a package of spending and wage cuts. This may be enough to insure they receive bailout money to meet their March 20 obligations. However, there are calls to renegotiate the measures after the April elections. Still much uncertainty surrounding this latest development.

Random Thought for February 2012: Laughing lowers levels of stress hormones and strengthens the immune system. Six-year olds laugh an average of 300 times a day. Adults only laugh 15 to 100 times a day.

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