

# OLYMPIA ASSET MANAGEMENT

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## The View from Olympus

### Market Overview

The Dow Jones Industrial Average inched up 28.23 points (0.25%) last week to 11,410.32 as the tax cut extension deal between President Obama and Republican congressional leaders combined with Federal Reserve Chairman Bernanke's comment in a *60 Minutes* interview that asset purchases beyond the \$600 billion already announced are "possible" bolstered the stock market. American International Group's release of a recapitalization plan on Wednesday, and General Electric's announcement on Friday of its second dividend increase this year also helped the market advance. On the other hand, the bond market finally succumbed to the unabashedly expansive fiscal and monetary policies; the yield on the ten-year Treasury note soared from 3.02% the previous Friday to 3.30%. It should also be noted that while the focus of most investors was on Chairman Bernanke's support for an easy money policy, the fact is the reason for his stance was his belief that it could take five years for the job market to recover.

### In the News

#### Wells Fargo (WFC-30.27): Banking on It

Last week the KBW Bank index rose 6% as comments from bank analysts that bank dividends may be ready to rise appeared to attract some interest to the group. Wells Fargo, up 4.2% for the week and 13.5% over the past two weeks, was signaled out in the December 13<sup>th</sup> edition of Barron's as being likely to benefit from lower loan charge-off rates over time.

### Mergers & Acquisition News

#### Tenet Healthcare (THC-6.65)

Tenet Healthcare, a hospital operator, receive a \$6/share (\$7.3 billion) bid from Community Health Systems. The shares rose \$2.36 (55%), and finished higher than the bid as investors bet that competing bids will arrive.

#### Beckman Coulter (BEC-72.08)

Beckman Coulter, a maker of medical equipment, is said to have asked Goldman Sachs to investigate whether to go private or search for a buyer after being approached by buyout firms. While a deal, if any occurs, would likely be months away, the stock spiked up \$14.99 (26%) on Friday.

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## Olympia Asset Management

### The Week Ahead

There will be a number of interesting economic statistics released this week. On the inflation front while the increase rate of consumer price index is expected to remain steady at 0.2%, the rate of increase for the producer price index is expected to move up to 0.6%...perhaps a sign of inflation pressure to come. In the meantime, industrial production and capacity utilization continue to inch higher. On the earnings front, Best Buy is expected to show a gain as consumers seem to be back in a buying mood (for now). While Joy Global's mining equipment business should show gains next year, the October quarter is expected to be another lackluster period. Friday's reports from FedEx and Oracle will be analyzed by investors seeking to identify trends for the overall economy and technology, respectively. The Treasury auctions this week are: Monday: \$29 billion of three-month bills and \$28 billion of six-month bills; and Tuesday: \$22 billion of one-year notes. As of Friday afternoon, the three-month notes were trading at 0.12%, down from last week's auction rate of 0.145%. I'd say that there was only 0.12% to go...but it is possible to have negative interest rates.

### Economic Indicators

		<u>Expected</u>	<u>Last Period</u>
Tuesday, Dec. 14:	Nov. Producer Price Index	+0.6%	+0.4%
	Nov. Retail Sales	+0.6%	+1.2%
	Oct. Business Inventories	+1.0%	+0.9%
Wednesday, Dec. 15:	Nov. Consumer Price Index	+0.2%	+0.2%
	Nov. Industrial Production	+0.3%	0.0%
	Nov. Capacity Utilization	75.0%	74.8%
Thursday, Dec. 16:	Nov. Housing Starts	550,000	519,000
	Dec. Philadelphia Fed Survey	14.5	22.5
Friday, Dec. 17:	Nov. Leading Indicators	+1.1%	+0.5%

Source: Bloomberg

### Selected Corporate Earnings

		<u>Period</u>	<u>Estimate</u>	<u>Year Earlier Period</u>
Tuesday, Dec. 14:	Best Buy	3Q	\$0.61	\$0.53
	Factset Research	1Q	\$0.84	\$0.74
Wednesday, Dec. 15:	Joy Global	4Q	\$1.15	\$1.20
	Miller (Herman)	2Q	\$0.28	\$0.20
Thursday, Dec. 16:	Bio Reference Labs	4Q	\$0.30	\$0.26
	Discover Financial	4Q	\$0.42	\$0.12
	FedEx	2Q	\$1.31	\$1.10
	General Mills	2Q	\$0.78	\$0.77
	Oracle	2Q	\$0.46	\$0.39
	Scholastic	2Q	\$2.19	\$2.29
	Take Two Interactive	4Q	\$0.31	\$0.09
	Winnebago	1Q	\$0.02	(\$0.05)

Source: Thompson First Call

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