



MARCH 01, 2010 MARKET/ECONOMIC OPINION LETTER

THE MARKET

The issue confronting us now is that March is usually where we see a low point in the markets. *Beware the 'Ides of March'?* However, if too many people believe a low lies ahead, the market could very easily do just the opposite and we could see new highs. The more time that passes and the closer we get to mid-March, the greater the likelihood the February 5th low of **9835** (within 135 points of our projected support level, see our January 29th Market Letter) was indeed the corrective low and we are now heading up, up and away to new market highs. The Dow Transportation Index is within striking distance of its recent bull market high and as you know, we believe this index is a leading market indicator of direction.

For several days, the market has been trading at a **resistance** located at the 10400 area and must get through this level if we are to continue to go higher. The broad indices (the S&P 500) are trading back above their 50 day moving averages (a **Bullish** sign, if they can remain above them). Once we pass this **resistance** level and surpass the January high of 10729, we could then move on to the higher level of **11300** (mentioned in our October 2009 Market Letter).

THE ECONOMY

The Fed has indicated it will continue its “easy money” policy for the foreseeable future although it did hike the discount rate. This would indicate our economy remains extremely “fragile” at this time.

Europe has their problems with the plight of “PIIGS”; Portugal, Ireland, Italy, Greece and Spain all in danger of defaulting their credit debt. The European Central Bank has shown a willingness to help divert this situation and is quickly working towards a solution. Germany and France have had discussions on a “bailout” for Greece but no plan agreement is imminent as yet.

OIL

Oil seems to be in a trading range of \$76 to \$83 per barrel and will most likely stay in this trading range, unless some saber rattling event in the Middle East were to happen. This would indicate a small percentage allocated into natural resource funds should continue to be held.

SUMMARY

For the present, we suggest you hold well diversified equity investments unless the market begins yet another corrective down-turn and finds no support at the 9835/9700/9500 levels. We would then re-evaluate and have further recommendations at that time.

Please contact our office for individual portfolio advice based on your personal situation, or visit our website at www.saundersgroup.com for a complete explanation of market technical terms.