SHIELDS & COMPANY
MEMBER NEW YORK STOCK EXCHANGE

EQUITIES PERSPECTIVE

February 13, 2009
DJIA: 7,934

And the plan is . . . ??? After that performance, it might not be long before Geithner decides he has to spend more time with his family, as they say. Or perhaps, more time working on his taxes? We like to think it's not the news that makes the market, it's the market that makes the news. But, come on! It's like the guy who prayed and prayed to win the lottery. Finally God said, meet me halfway, buy a ticket. Geithner didn't meet the market halfway, give it a chance to "sell on the news." There was so little versus expectations, it's hard to know exactly the message of Tuesday's weakness. Sell on the news is one thing, but sell on a lack of news? In the event, it is what it is. Sell they did, to the extreme. It could have been better, that is, less. Expanding volume into weakness, extreme weakness, is never good.

Since the first week of January it has been pretty much that way, more distribution than accumulation, more volume expansion into weakness than volume expansion into strength. Still, if it is what it is, it's still a trading range. Follow the bouncing ball, that is, the S&P which bounces between 805 or so and 875 or so. The latter, by the way, also is the 50 day moving average where the S&P has tried and failed twice over the last couple of weeks. Given that, even a move above that level would now almost seem a big deal, a positive change. Meanwhile, the market has made more of a habit of trying the downside which has held. Sometimes, like Thursday, almost surprisingly. Unlike an upside break we're not so sure a downside break is a disaster. Sometimes it takes a move like that to stir sentiment, instigate selling, and set the stage for a better move and breakout to the upside - the old "false breakdown". The November break to new lows in the averages is a good example.

Regardless of the trading range, our thesis is the worst is over for most stocks, perhaps even for the Financial stocks, though clearly therein lies the weak link. Daily 12 month new lows remain subdued, but Banks represent a quarter or so of the 125-150 total. We just don't see new lows going back to the 90% of the NYSE stocks traded, or NYSE stocks above their 200 day moving average, though only 8%, going back to 1%. Whether or not the trading range holds, we still think the market moves higher, if only in a muddle sort of way. And, you have to admit, just when the market seems on the abyss, somehow it seems to hold, Thursday being another example. That great guy Geithner mutters some "detail" about a plan to subsidize mortgages and the market goes from down 200+ to unchanged. We hate markets where news makes the markets, like Tuesday's disastrous drubbing, and Thursday's impressive reversal, but so it goes in a trading range. The key now, will we follow-through on Thursday's reversal?

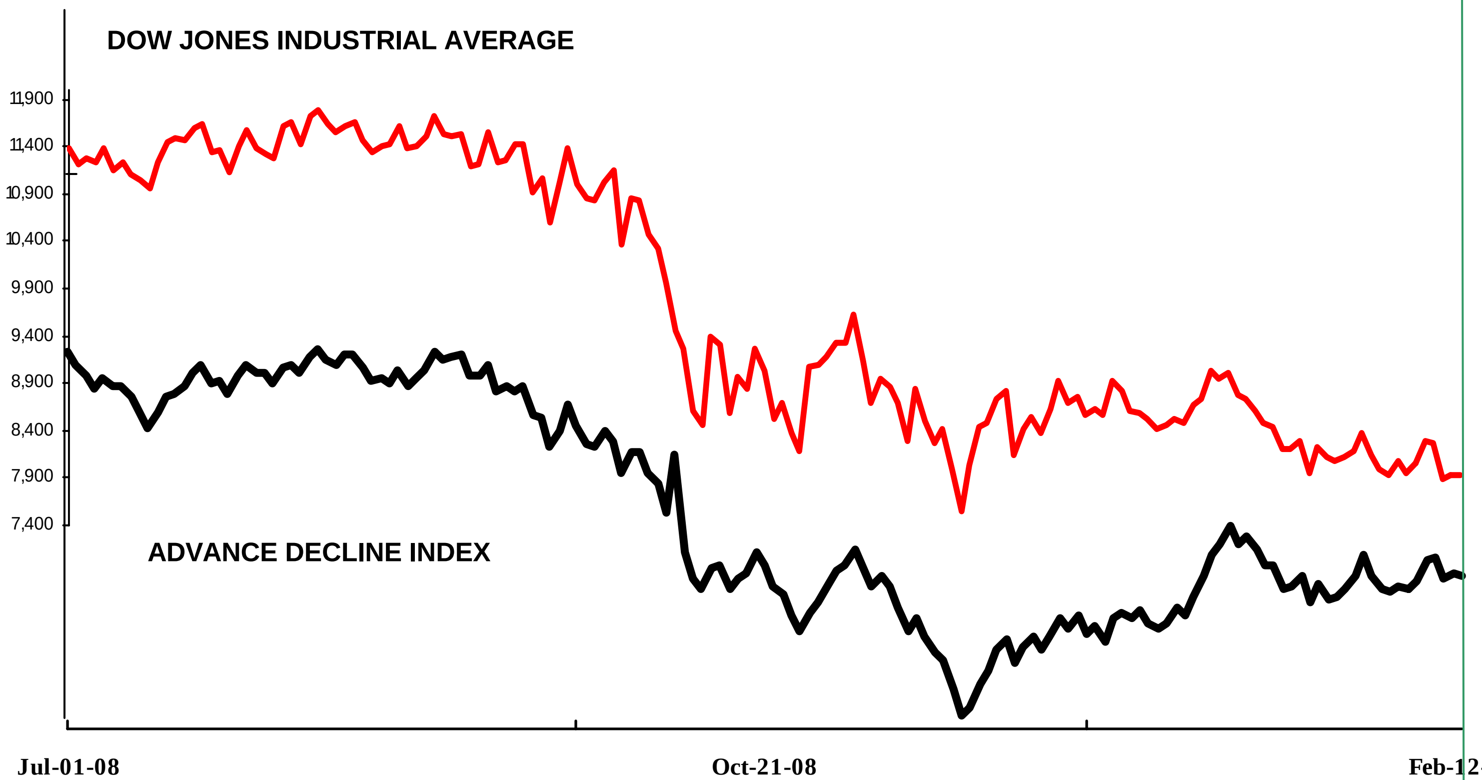
One of the market's problems is that even the best looking patterns are more holding up than going up. And for the education stocks even that wasn't true Thursday. After closing 7 points higher Wednesday, Strayer (187) opened down about 40 Thursday and dragged the group with it, though the overall uptrends here remain intact. STRA, like many in the group had enjoyed a few upside gaps over the last couple of months, before the downside gap Thursday. If you can't make money in what had seemed to be leading stocks, stocks with good patterns, it's hard to make money. Undaunted, there are a couple of other stocks acting well, and like the education stocks could stand to benefit from the lousy economy, particularly lousy car sales. Those would be Monro Muffler (25) which, apparently is more than mufflers, and Autozone (136). While both have acted well of late, both also have excellent long term patterns, if or when that begins again to matter.

At least there's Gold. While the Consensus Inc. Gold Bullish Sentiment is at the upper end of its range around 70%, it's not the 90% of early 2008, the peak in sentiment that actually preceded the peak in the commodity. Sentiment isn't yet extreme and, in the event, sentiment certainly isn't a short term timing tool. And, in terms of trend, Gold finally seems out of the correction that began last March. Other commodities didn't peak until July, and unlike Gold's 30% correction the weakness in other commodities was more severe. Indeed, the weakness was deep enough to call into question the overall uptrends. Still, history offers examples of severe cyclical declines in secular bull markets. The Asian Contagion around 1997-1998 was retraced relatively quickly, as was the "crash of 1987". We're skeptical, but open minded. In the meantime, first things first – much like the market, Oil, Materials and Ag ETF's are yet to break above their trading ranges.

Frank D. Gretz

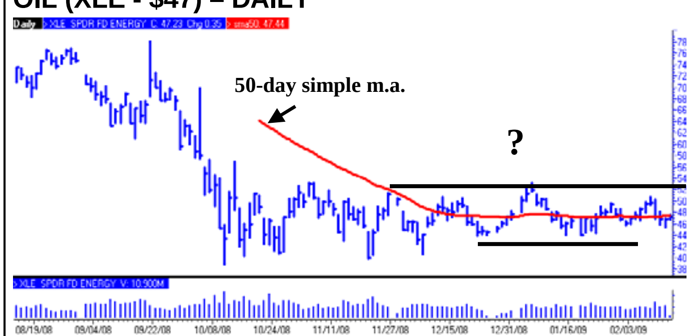
140 BROADWAY NEW YORK, NY 10005 TELEPHONE: (212) 320-3000

STOCK AVERAGE VS. AVERAGE STOCK

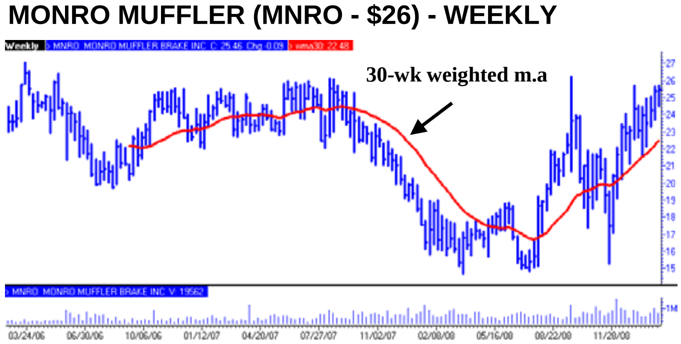


AUTOZONE (AZO - $140) – WEEKLY

OIL (XLE - $47) – DAILY



MONRO MUFFLER (MNRO - $26) - WEEKLY



METALS & MINING (XME - $29) - DAILY

GOLD (GLD - $93) - WEEKLY

AGRIBUSINESS (MOO - $29) - DAILY