RIDGE INVESTMENT ADVISORS

WEEKLY MARKET WRAP

APRIL 17 – 23, 2010

Equity markets were surprisingly calm and surprisingly constructive this week. It was just a week ago that the SEC dropped a bombshell by filing fraud charges against Goldman Sachs in the construction and distribution of collateralized debt obligations (CDO) securities. Offsetting the Goldman news were the generally positive first quarter earnings. Specifically, banks and technology companies helped bolster the market by beating the street expectations and guiding estimates higher for subsequent quarters. Interestingly the market worked higher all five days this week and so far this year there have been 12 up weeks and only 4 down.

In addition to the favorable earnings, the macro economic releases have been good in recent weeks helping to improve investor attitudes that are supportive of current equity valuations. Furthermore, increasingly constructive economic tailwind are taking hold. Specifically, housing statistics seem to be improving, factory production and inventories are picking up and the consumer (though still weak) is spending modestly and paying down debt. Also, indicators of future strength are present in the report of Leading Economic Indicators (LEI) together with ISM Manufacturing and Services Indices that all show improvement.

President Obama traveled to Wall Street this week and gave a speech to boost the prospects for the proposed reform measures on Wall Street. He urged Wall Street to cooperate and support these reforms needed to restore confidence in the system. However, the most important issue of "too big to fail" has not been resolved, though the Administration is emphatic that taxpayer dollars will never again be used to rescue financial institutions. It is anticipated that this financial reform legislation will come to a vote this summer.

For the week the Dow was up 1.7% to 11,204; the S&P 500 rose 1.9% to 1,216; the Nasdaq Composite gained 1.9% to 2,481 while the Russell 2000 showed the best performance gaining 3.7% to close at 741.9.

Bonds were generally weaker as good earnings reports and improving economic data caused investors to worry about future Fed policy and possible rate hikes later this year. So far inflation has been tame as seen in the Producer Price Index for March that showed no "core" inflation pressure. As for the deficits, the President has formed a bi-partisan working group to make policy recommendations to reduce the growth and eventually shrink the size of the total deficit to more sustainable levels.

Have a great weekend!

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