

The Intelligent Investor U.S.

The Economic Monitor Series. Free Edition.

INSIDE THE REPORT

- Stock recommendations and price targets from top brokerage firms

Economic Events

- Federal Reserve Chairman **Ben Bernanke** speaks on "A View From the Fed" before the **National Association for Business Economics 2012 Economic Policy Conference** at 1200 GMT
- Congressional Budget Office Director **Douglas Elmendorf** speaks on "Fiscal Policy Choices" before the National Association for Business Economics 2012 Economic Policy Conference at 1245 GMT
- **2012 Seoul Nuclear Security Summit** (to March 27). President **Barack Obama** to attend; will meet Russian President **Dmitry Medvedev** and South Korean President **Lee Myung-bak** on the sidelines of the summit to discuss what can be done to discourage the missile launch and Pyongyang's nuclear program.
- President **Barack Obama** will meet with Chinese President **Hu Jintao** on the sidelines of a nuclear summit in Seoul.
- Pakistan's Prime Minister **Yusuf Raza Gilani** will meet with President **Barack Obama** on the sidelines of a nuclear security summit.
- The Supreme Court to hold Oral arguments on President **Barack Obama's** sweeping **U.S. Healthcare overhaul** (to March 28).
- U.S. Marine Corps General **John Allen**, the commander of the **International Security Assistance Forces** in Afghanistan, addresses the **Brookings Institution** think tank on the **NATO mission** in Afghanistan.
- **Bank of England** Monetary Policy Committee member **David Miles** participates in "Optimal Monetary Policy in the Context of Chronic Debt" discussion before the **National Association for Business Economics 2012 Economic Policy Conference** in Arlington, Virginia, USA at 2045 GMT

Corporate Events

- **Apollo Group** Q2 results

Top Stories

- **US new-home sales** fall 1.6% in Feb.
- **Global inflation** 'disaster' coming, economist **Andy Xie** warns
- **Sanctions** make it hard for **Royal Dutch Shell** to pay Iran
- **T-Mobile** cuts 1,900 jobs, seven call centers
- **Nike** 3Q profit upon China, emerging markets sales

MARKETS AT A GLANCE

- U.S. **stocks** rose in light volume on Friday, buoyed by rising energy and basic materials shares, as the **S&P 500** kept showing resilience even as it posted its second negative week so far this year. The **Dow Jones industrial average** gained 34.59 points, or 0.27 percent, to 13,080.73.
- U.S. **Treasury** debt prices rose for a fourth straight session on Friday as nagging concerns about Europe's debt problems and jitters about slowing global growth stoked demand for low-risk government debt. **Benchmark 10-year** U.S. Treasury note was up 10/32, its yield easing to 2.25 percent.
- The **dollar** fell to three-week lows versus the **euro** and the **Swiss franc** on Friday as traders cited stop-loss sell orders being triggered on the dollar's break of technical support against a basket of currencies. The euro rose to \$1.3294.
- **Gold** rose more than 1 percent on Friday for its biggest one-day gain in a month, as higher crude oil prices and a sharp drop in the dollar triggered short-covering after a sell-off earlier in the week. **Spot gold** was up 1.2 percent at \$1,665.24 an ounce.
- U.S. **crude** oil futures ended more than 1 percent higher on Friday on news that some buyers have stopped or scaled back imports of Iranian oil due to Western sanctions that seek to rein in Tehran's disputed program. **ICE Brent** crude for May delivery settled at \$125.13 a barrel.

STOCK INDICES

INDEX	LAST	CHNG	% CHNG
DJIA*	13,080.73	34.59	0.27
Nasdaq*	3,067.92	4.60	0.15
S&P 500*	1,397.11	4.33	0.31
DJ US Total Stock Market*	14,524.94	57.05	0.39
DJ Global Total Stock Index	2,605.72	3.21	0.12

* CLOSING VALUES

CURRENCIES

INDEX	LAST	PRIOR
Euro (EUR/USD)	1.3255	1.3270
U.K. Pound (GBP/USD)	1.5856	1.5869
Japanese Yen (USD/JPY)	82.72	82.35

All prices are at 01: 23 AM EST

FUTURES

	LAST	CHANGE
Crude Oil, (May)	106.56	-0.31
Natural Gas, (Apr)	2.397	0.024
Gold, (Mar)	1663.4	1.0
Copper, (Mar)	3.82	0.01

All prices are at 01: 13 AM EST

STOCK RECOMMENDATIONS BY BROKERAGE HOUSES

BROKERAGE/COMPANY	ACTIONS	RATING
Citigroup		
Accenture	Raises price target to \$73 from \$66	Buy
Dollar General	Raises target price to \$54 from \$49	--
BMO		
Monster Worldwide	Raises price target to \$10 from \$9	Outperform
Stifel		
Accenture	Raises target price to \$70 from \$69	Buy
Convergys	Cuts to hold from buy	Hold
UTI Worldwide	Raises price target to \$21 from \$18	Buy
FBR		
Atmel	Raises price target to \$14 from \$12.50	Outperform
Baker Hughes	Cuts price target to \$50 from \$60	Market perform
Halliburton	Cuts price target to \$55 from \$60	Outperform
RPC	Cuts price target to \$11.50 from \$13	Market perform
Evercore Partners		
Bank of America	Raises target to \$10 from \$8	Equalweight
BNY Mellon	Raises target to \$23 from \$21	Equalweight
Charles Schwab	Raises price target to \$16	--
Huntington Bancshares	Raises target to \$6.50	Equalweight
Keybanc Capital Markets		
Lululemon	Raises price target to \$82 from \$69	Buy
Teavana Holdings	Initiates with buy and price target \$28	Buy

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THE TRADING DAY AHEAD

COMPANY NAME	Results	EPS Estimate (\$)	EPS (year ago) (\$)
Apollo Group	Q2	0.38	0.83

TOP STORIES

US new-home sales fall 1.6% in Feb.

U.S. new-home sales fell 1.6 percent in February, but prices nationwide jumped to their highest level in eight months, the **Commerce Department** said Friday. Sales rose to a seasonally adjusted annual rate of 313,000 units, down from January's downward-revised 318,000 units. The initial January figure was 321,000 sales of new homes. Sales missed expectations from economists surveyed by **Reuters**, who had predicted 325,000 units would be sold. An analyst survey by **Dow Jones Newswires** also forecast sales of 325,000 units. February sales were 11.4 percent higher than the same month in 2011. The median price of a new home \$233,700, up 6.2 percent from February 2011. That was the highest median price recorded since last June. New-home sales made up only 7 percent of the housing market last year, but new construction is an important economic driver that creates jobs. New homes are also generally more expensive than resale. On Monday, the **National Association of Home Builders** reported that its index of housing-market confidence was flat at 28 in March after increasing for five consecutive months. Sales of existing homes also fell in February to an annual rate of 4.59 million, the National Association of Realtors reported, but pricing increased.

Global inflation 'disaster' coming, economist Andy Xie warns

The Federal Reserve didn't see the U.S. subprime-mortgage crisis coming. The **European Central Bank** was clueless about the euro zone's debt crisis before it hit. There is little reason, then, to believe these regulators will see the coming global "inflation disaster," independent economist **Andy Xie** warns in a recent commentary. Xie based his prediction on the "causal relationship between money and inflation." "Short-term factors may temporarily slow the process ... [but] there has been no exception to rapid monetary growth leading to inflation," he writes. In the years since the 2008 global financial crisis, the United States and Europe have maintained very loose monetary policy, and Japan has recently expanded its stimulus, **James Bullard**, president of the **Federal Reserve Bank of St. Louis**, told Dow Jones Newswires in a recent interview. The Fed's balance, for example,

TOP STORIES (Continued...)

has more than tripled since September 2008. Many developing-market countries whose currencies are pegged to major currencies, such as China, have imported these loose policies. "That sounds like a very easy global monetary policy to me, and that's why I think there's a bit of upward inflation risk," Bullard said. So far, however, inflation remains muted among developed economies. The **U.S. Consumer Price Index**, for example, rose 0.4 percent in February from the previous month. Excluding food and energy, consumer prices were up only 0.1 percent. Pointing to this fact, policymakers from developed countries assert that their domestic inflation and inflation expectations are subdued. Xie, however, thinks these officials misunderstand the impact of globalization, which has indeed kept inflation in check, temporarily, in the developed world. He believes inflation ultimately will take hold in these countries, and once that happens policymakers everywhere will find it hard to reverse. Inflation is currently concentrated in developing countries because their banking systems are healthy (or can be forced by the government to lend money, as is the case in China) and labor costs are low. Liquidity, therefore, flows there instead of to developed countries, where the financial systems are damaged and labor costs remain high. Inflation in tradable commodities, Xie blames their rising prices mainly on loose monetary policy, also disproportionately afflicts developing economies.

Sanctions make it hard for Royal Dutch Shell to pay Iran

Royal Dutch Shell PLC has a whole lot of money on its balance sheet, but European Union and U.S. financial sanctions are making it difficult for the major integrated oil-and-gas company to pay an estimated \$1 billion it owes the **National Iranian Oil Co.** for crude purchases, according to Reuters. Four industry sources told Reuters that Shell owes a large sum to the NIOC, with one putting the figure in the area of \$1 billion. "Shell is working hard to figure out a way to pay NIOC," one of the sources told Reuters. "It's very sensitive and very difficult. They want to stay on good terms with Iran, while abiding by sanctions." A Shell representative declined to comment about the matter to the news agency. The EU placed a ban on Iranian oil imports in January, but it gave companies until July 1 to wind down their business with the Islamic Republic. With daily contract volume of 100,000 barrels of oil, Shell was one of Iran's three largest corporate clients, Reuters reported. EU and U.S. financial sanctions, designed to punish Iran for pursuing its nuclear program, already have come into effect. On March 15, the **Society for Worldwide Interbank Financial Telecommunication**, or Swift, announced it had been instructed to discontinue its communications services to Iranian financial institutions that are subject to European sanctions. "This EU decision forces Swift to take action," **Lázaro Campos**, CEO of the cooperative, said at the time. "Disconnecting banks is an extraordinary and unprecedented step for Swift. It is a direct result of international and multilateral action to intensify financial sanctions against Iran." The Swift action became effective on March 17. "There are big frustrations with the payment route, the U.S. pressure is really working," one oil-and-gas industry source told Reuters. "It's now nearly impossible to use the banking system."

T-Mobile cuts 1,900 jobs, seven call centers

T-Mobile USA Inc., the fourth-largest cell service company in the U.S., said Thursday it plans to cut about 1,900 jobs and close seven customer service call centers as it undergoes restructuring after regulators nixed a proposed purchase by AT&T Inc. The job cuts will affect about 5 percent of T-Mobile's workforce, though the Bellevue, Wash., company has promised to add 1,400 new employees at its remaining 17 call centers. The company has 36,000 U.S. employees. "Concentrating call centers is an important step to achieve competitive cost structures to successfully compete as challenger and value player in the wireless market," said **Philipp Humm**, the company's chief executive and president, in a statement. "These are not easy steps to take, but they are necessary to realize efficiency in order to invest for growth." T-Mobile, a subsidiary of **Deutsche Telekom AG**, has been trying to reinforce its coffers for further expansion and investment, after a \$39 billion purchase offer from **AT&T** was rejected last year due to regulatory concerns. About 3,300 employees work in its call centers in Allentown, Pa.; Fort Lauderdale, Fla.; Frisco, Texas; Brownsville, Texas; Lenexa, Kan.; Thornton, Colo. and Redmond, Ore. The company plans to close the centers by the end of June, and affected employees can either choose to relocate to remaining call centers or accept a severance package, it said. T-Mobile said it plans additional restructuring efforts, but it didn't elaborate. The company is already spending \$4 billion to upgrade its network in addition to a \$200 million rebranding effort aimed at boosting U.S. market share.

Nike 3Q profit upon China, emerging markets sales

The world's largest athletic shoe maker **Nike Inc.** reported on Thursday overall sales were not able to keep pace with increasing costs, yet growth in China and emerging markets drove the company's fiscal third quarter past analysts' expectations. The Beaverton, Ore.-based company reported a net income of \$560 million, or \$1.20 a share, for the quarter ended Feb. 29, up 7 percent from \$523 million or \$1.08 a share, during the same period last year. Analysts expected \$1.17 per share, according to Bloomberg. The number of shares outstanding fell, as the company is in the midst of a four-year share repurchasing program. Revenue was \$5.85 billion, up 15 percent from \$5.08 billion in the year-earlier period. The revenue increase was largely driven by growth in Greater China, where sales of footwear grew 35 percent, to \$449 million from \$333 million, with total sales in the area growing 25 percent. Total sales in emerging markets grew 23 percent as well. Gear for road warriors and treadmill devotees remained Nike's strongest seller. "Nike has a very strong product cycle within the running category, which is pretty much the largest category in footwear," **Matt Arnold**, consumer discretionary analyst for **Edward Jones**, told Reuters. The company expects continued growth, with future orders for the brand growing 15 percent overall, with Greater China and North America up 24 percent and 22 percent, respectively. Nike CEO **Mark Parker** remains optimistic about the company's ability to navigate the still-murky global economic waters. New products such as the constantly sold-out Nike+ Fuelband, a device which monitors a person's daily activity and syncs the data with Nike's servers, have shown promise. The introduction of FlyKnit lightweight shoes, as well as other gear to be flaunted by Olympians in London this summer, also has the company feeling bullish. "The environment remains volatile, but I'm optimistic about the future," Parker said in a statement. "We're starting a great season of major sports events and we have a pipeline full of innovation to fuel growth over the long term."

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