

What is the most critical issue facing governm



Powered by Clickability

Click to Print

[SAVE THIS](#) | [EMAIL THIS](#) | [Close](#)

Tipping point: Crucial week ahead for stocks

This week brings key reports on jobs, manufacturing and housing -- and a chance for investors to jump back in or bail out even more.

By Alexandra Twin, CNNMoney.com senior writer
Last Updated: September 28, 2009: 3:51 AM ET

NEW YORK (CNNMoney.com) -- The market rally finally hit some resistance last week, giving investors in the week ahead an opportunity to get back in at lower levels - or get out before the going gets worse.

The debate is the same one it's been since the market bottomed in March - have stocks jumped the gun on the pace of the economic recovery, and are they now set up for a big fall?

"A lot of investors have been willing the market higher emotionally, and they are going to hope it keeps going higher in the next few months," said Don DeWaay, CEO at DeWaay capital Management.

"But when you see such precipitous rally, even off of the depths, you have to be careful," he said. "The bottom line is the fundamentals have to

What is the most critical issue facing governm

support the advance and the consumer has to be there, and I just don't see that."

So much, so fast: Stocks have essentially been on the rise for 6-1/2 months as investors have welcomed slowly improving economic news - and extraordinary amounts of fiscal and monetary stimulus.

Since bottoming at a 12-year low March 9, the S&P 500 has gained 54.4% and the Dow has gained 47.6%, as of Friday's close. After hitting a six-year low, the Nasdaq has gained 64.8%.

But those percentages had been even higher less than a week ago. The Dow industrials, S&P 500 and Nasdaq composite all topped out at nearly 1-year highs in the middle of last week, before losing steam for three sessions in a row.

A negative response to the Federal Reserve's [latest announcement](#) and weaker-than-expected reports on [housing](#) and [durable goods](#) orders were among the factors dragging on markets.

Stalled spending. Critical reports on the labor market, the manufacturing sector, the housing market and the health of the consumer are all due in the week ahead. Consumer spending has typically driven two-thirds of the economic growth in this country, but the recovery currently in the works won't have the same motor. With millions of people out of work, hoarding cash in savings accounts and holding back on non-essential purchases, the recovery is bound to be sluggish.

Should next week's reports fail to meet expectations, stocks could be in for another round of selling. Alternate, the defiantly upbeat bulls could do what they did all summer - use the selloffs as a reason to get back in at lower levels.

"The market rally has been like a two-man relay race; the first leg was driven by liquidity and prospects for a turnaround, and the second will be driven by fundamentals," said Robert Siewert, portfolio manager at Glenmede.

"But the handoff from a rally based on liquidity to one driven by fundamentals may not be clean," he said. "And I think that's where a lot of investors are focused."

On the docket

Monday: A lack of market-moving economic or earnings news on the schedule could lead to lighter trading on Yom Kippur, the Jewish holiday.

Tuesday: The Conference Board releases its consumer confidence index for September shortly after the start of trading. The index is expected to have risen to 57.0 from 54.1 in August, according to a consensus of economists surveyed by Briefing.com.

The Case-Shiller 20 city home price index is expected to show the pace of falling home prices has slowed. Prices are expected to have dropped 14.2% in July versus a year ago, after falling 15.44% year-over-year in June.

Nike ([NKE](#), [Fortune 500](#)) reports results after the close. The shoe retailer is expected to have earned 97 cents per share versus \$1.03 a year ago, according to a consensus of analysts surveyed by Briefing.com.

Tuesday is also the one-year anniversary of the Dow's biggest one-day point loss ever, when the blue chip average plummeted [777.68 points](#) and the broad market knocked out \$1.2 trillion in market value. The plunge occurred after the House of Representatives rejected the government's then \$700 billion bank bailout plan as a number of banks around the globe teetered on the brink of collapse.

Wednesday: The first two of the week's four key employment readings are due in the morning. Payroll-services firm ADP is expected to report that employers in the private sector cut 200,000 jobs from their payrolls in August after cutting 298,000 in July.

Also in the morning, outplacement services firm Challenger, Gray & Christmas will report on the number of announced job cuts in August.

The final reading on second-quarter gross domestic product (GDP) growth is due before the start of trading. GDP is expected to have shrunk at a 1.2% annualized rate, versus the previously reported 1% rate.

The Chicago PMI, a regional manufacturing index, is due out shortly after the start of trading. The index is expected to have risen to 52 in September from 50 in August.

The weekly crude oil inventories report from the Energy Information Administration is slated for the mid-morning.

In the afternoon, Federal Reserve Vice Chairman Donald Kohn is speaking in Washington at the Cato Institute. He is expected to discuss exit strategies the central bank is considering as it unwinds some of the trillions it injected into the economy to help soften the blow of the recession.

Wednesday is the last day of the third quarter, and the end of fiscal-year 2009 for the U.S. government.

Thursday: The weekly jobless claims report from the Labor Department is due shortly before the start of trade. Claims are expected to have risen to 535,000 from 530,000 in the previous week. Continuing claims, a measure of Americans who have been out of work for a week or more, are expected to have risen to 6.178 million from 6.138 million last week.

Personal income is expected to have risen 0.1% in August after holding steady in July. Personal spending is expected to have risen 1.1% after rising 0.2% in July. The report from the Commerce Department is due shortly before the start of trading.

The Institute for Supply Management's manufacturing index for September is due out 30 minutes after the start of trading. The ISM index is expected to have risen to 54.0 from 52.9 in August.

The August pending home sales index is also due around 30 minutes after the start of trading. Sales are expected to have risen 1% after rising 3.2% in July.

Construction spending is expected to have fallen 0.2% in August after dipping by the same amount in July. The Commerce Department report is also due out 30 minutes after the start of trading.

Additionally, September auto and track sales will be released throughout the day.

Federal Reserve Chairman Ben Bernanke will testify at the House Financial Services hearing, starting around 9 a.m. ET.

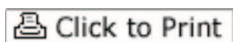
Friday: The September jobs report from the Labor Department is due about an hour before the start of trading. Employers are expected to have cut 180,000 jobs from their payrolls after cutting 216,000 in the previous month. The unemployment rate, generated by a separate survey, is expected to have risen to 9.8% from 9.7% in the previous month.

August factory orders are expected to have risen 0.5% after rising 1.3% in July. ■

First Published: September 26, 2009: 12:03 PM ET

Find this article at:

http://money.cnn.com/2009/09/25/markets/sunday_lookahead



[SAVE THIS](#) | [EMAIL THIS](#) | [Close](#)

Check the box to include the list of links referenced in the article.