

S&P 500 INDEX 1363.61 -3.13 (-0.2%)	DOW JONES IND. 12,810.54 +47.23 (+0.4%)	NYSE VOL. (ML) 970 +10 (+1.1%)
Ends month of April with nearly 3% gain	Blue-chip average near June '08 high	Winners beat losers by nearly 2:1 margin
NASDAQ 2873.54 +1.01 (0.0%)	NASDAQ VOL. (ML) 2439 +457 (+23.1%)	10-YEAR T-NOTE 3.29% -0.02 (-0.6%)
In August with streak since December	Treasury.com bids 43% on hot earnings	Treasury prices climb, extending recent gains
DOLLAR-YEN 81.10 -0.36 (-0.4%)	EURO 1.4603 -0.0019 (-0.1%)	CRB FUTURES 370.56 +4.31 (+1.2%)
Greenback gives up ground in thin trade	Euro zone inflation unexpectedly rises	Gold, silver extend gains; copper falls

INVESTOR'S BUSINESS DAILY

IBD

MONDAY SPECIAL

ISSUES & INSIGHTS / A16-17
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MANAGING FOR SUCCESS / A7
How Social Media Improve Services

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Haste Makes Waste Firms Profitable

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Can Walter Energy Heat Up Its Base?

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IBD'S TOP 10

Profit Margins Strong in Q1

1 S&P 500 firms are on track to deliver 17.5% earnings growth, with 73% of the firms that have reported so far topping views. Material and energy firms are leading the way on higher commodity costs. But many other companies have been able to raise prices to maintain high profit margins. One caveat: Few retailers have reported yet. **More on this page**

Dollar Falls; Silver, Gold Rise

2 The dollar hit a fresh 3-year low vs. major rivals, with more losses expected as the Fed keeps rates near zero while most central banks tighten. China's yuan broke the 6.50-per-dollar level for the first time. The yuan rose 0.9% in April vs. 0.4% in March as Chinese policymakers seek to curb inflation. Gold hit a fresh intraday high; silver neared its 1980 peak.

Cat Beats On Resource Gear

3 The mining and construction equipment giant's Q1 EPS shot up to \$1.84 from 36 cents and topped views by 53 cents, as sales to miners and other resource companies nearly doubled. Revenue leapt 57% to \$12.95 bil, above expectations for \$11.60 bil. Caterpillar raised its full-year EPS forecast to \$6.25-\$6.75. Analysts expect \$6.26. Shares rose 2.5%.

Spending Outpaces Incomes

4 Spending rose 0.6% in March, the 9th straight gain, as consumers boosted outlays to meet higher food and gas costs. Incomes rose 0.5%. Both figures were a bit above views. Meanwhile, consumer prices rose 0.4% vs. Feb. and were up 1.8% vs. a year ago, the biggest gain in 10 months. But prices ex food and energy were tame. **See Vital Signs on this page**

Chicago Business Pulse Slows

5 The ISM-Chicago's regional manufacturing activity index fell 3 points in April to 67.6 vs. expectations for 68. Readings above 50 signal growth. The jobs gauge fell 1.9 points to 63.7 and the new orders measure sank 8.2 points to 66.2. The drop may indicate some slowing in manufacturing. The national ISM manufacturing index, due Mon., is seen edging down to 59.7.

Indexes Score Modest Gains

6 The NYSE rose 0.4%, the S&P 500 0.2% and the Nasdaq less than 0.1%, as strong corporate profits continued. Volume increased across the board. The major indexes all rose a 2nd week in a row. The Nasdaq also posted its Oct. '07 peak and at Jan. '01 levels. M&A activity lifted solar stocks Fri., but energy generally did well. Some consumer groups struggled. Treasury yields continued to fall on Fri. **More on this page**

Syrian Forces Kill Protesters

7 They killed at least 42 demonstrators in separate protests, rights groups said. In one clash, troops fired on marchers trying to break an army blockade around Daraa. Thousands joined rallies calling for Pres. Bashar Assad's ouster. The U.S. denounced the crackdown and imposed sanctions on Syrian leaders and their ally, Iran's Revolutionary Guard.

IPhones Up, Androids Down

8 Apple's iPhone smartphone is still No. 1 in the U.S. And it rose to No. 3 in overall cellphone sales in Q1, from No. 5 in Q4. It trails Samsung LG. But top HTC, Motorola and RIM's NPD said. U.S. cellphone sales fell 1%, but for the 1st time smartphones, up 8%, were a majority. Android-based handsets fell to 50% from 53%, but Taiwan maker HTC sees its Q2 sales doubling vs. a year ago.

Amerigroup Crushes Views

9 The health insurer's Q1 EPS jumped 67% to \$1.37, burying views by 52 cents on higher premium revenue and lower benefit expenses. Revenue rose 12% to \$1.54 bil, beating estimates. Amerigroup dipped. Coventry Health's Q1 EPS climbed 13% to 74 cents, beating by 22 cents. Revenue rose 7% to \$3.9 bil. It guided full-year EPS largely down. It slid 6%.

Court Backs Stem Cell Funds

10 A U.S. appeals court ruled 2-1 that the Obama administration can fund human embryonic stem cell research, overturning a federal judge's decision barring spending for work that destroys embryos. (That decision had been stayed pending appeal.) Scientists hope to use embryonic stem cells to develop treatments for spinal cord injuries, cancer and diseases such as Alzheimer's. Critics oppose destroying human embryos.



ISLAMIST ACTIVISTS protest against Syrian leader Bashar Assad in Istanbul. The sign reads: "A cat to Israel, a lion to his own people. Assad cannot fool the world!" In Syria, thousands marched in Damascus as security forces killed more than 60 people across the country.

NATIONAL ISSUE

Chile's Private Accounts Turn 30

U.S. System Troubled

High return on assets, safe from politicians; we've got 'trust fund'

BY MONICA SHOWALTER

INVESTOR'S BUSINESS DAILY

May Day — socialists' paean to class warfare — evokes memories of Soviet tanks in Red Square and leftist radicals rioting. But Chile celebrates the actual empowerment of workers.

May 1 marks the 30 years since Chile became the first nation to privatize its social security system. By turning workers into investors, the move solved an entitlement crisis much like the one America faces today.

I like symbols, so I chose May Day as the birth date of Chile's "ownership society" that allowed every worker to become a small capitalist," wrote Jose Pinera, former secretary of labor and social security and the architect of this pension revolution. He is now a senior fellow at the Cato Institute in Washington, D.C.

What he designed has succeeded beyond all expectations. Yet Congress remains reluctant to adopt anything like it despite short-lived efforts by Presidents Bill Clinton and George W. Bush to partially privatize an American system.

Instead of America's 12.4% Social Security payroll tax — cut to 10.4% in 2011 — Chilean workers must pay 10% of their wages (they can send up to 20%) to one

of several conservatively managed and regulated pension funds. From the accumulated savings, they get a life annuity or make programmed withdrawals (withdrawing any funds left over).

Over the last three decades these accounts have averaged annual returns of 9.23% above inflation. By contrast, U.S. Social Security pays a 1% to 2% (theoretical) return, and even less for new workers.

Long-Term Boom

History shows that pension funds privately invested in a diversified portfolio appreciate significantly over long periods of consistent saving. In 1981, the Dow industrials stood at 900; today, despite three market crashes, it's nearly 13,000.

In 2005, New York Times reporter John Tierney worked out his own Social Security contributions to the Chilean model and found that his privatized pension would have been \$53,000 a year plus a one-time payout of \$223,000. The same contributions paid into Social Security would have paid him \$18,000.

The system is doable here, but does require citizen education and political resolve.

First, implicit debts must be made explicit, which most politicians abhor. Chile decided to compensate workers for money already paid into the system, through "recognition bonds." It financed this via bonds, partial diversions of existing pension taxes, sales of state assets and spending cuts.

Its road was made even easier as economic growth from a system that encourages work, saving and responsibility filled government coffers with new streams of tax revenue.

In the U.S., Social Security already is in bad shape. It's already paying out more in benefits than it gets in payroll tax revenue.

Politicians for decades have raided excess workers' contributions intended to cover baby boomer retirees. They left IOUs, giving the program the right to other government revenue. But that means the Treasury has to issue even more debt.

Those political raids can't happen in Chile. Private accounts are legal property, a right Pinera embedded firmly into the 1980 constitution.

As for Social Security, even the IOUs are projected to run out in 2037. If nothing is done, payouts would have to be slashed 22%. Private accounts could generate better returns to help offset likely benefit cuts.

Thirty countries have adopted a Chilean-style system. Yet American reform efforts have been timid. Rep. Paul Ryan's "Road Map" called for creating personal retirement accounts with one-third of Social Security funds. But his 10-year House budget did not explicitly address the retirement program.

The IOU-only trust fund hinders a shift to a Chilean-esque model. The program has no real assets, so the Treasury would have to issue massive debt upfront to fund private accounts.

Q1 Profits On Track For 17.5% Advance

Materials And Energy Lead

Hot commodity costs aid those sectors; other firms pass along higher prices

BY KEVIN HARLIN

INVESTOR'S BUSINESS DAILY

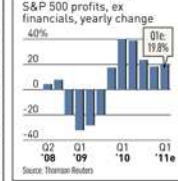
Soaring energy and material prices are fueling commodity-sector earnings while other companies are passing on those higher costs and keeping profit margins high. With almost two-thirds of S&P 500 firms having reported earnings as of Friday morning, companies are on pace for a 17.5% hike over a year ago, according to Thomson Reuters. Revenue is on pace to grow 9%.

As the recession fades further, financials are no longer dramatically skewing the picture. Without them, Q1 earnings are slated to grow 18.8%.

Commodity-related sectors are leading now. Materials are on pace for a 51.2% profit jump, with energy driving to a 34.6% gain.

Other firms have pricing power to pass higher input costs along. S&P 500 industrials are on track for 32.9% profit growth; techs should deliver 24.9%.

Earnings Strong



So far, 73% of reporting firms have beaten views vs. a long-term average of 62%. Analysts say they weren't just setting the bars low. "It's not just about beating estimates. We're seeing true growth," said Jeremy Zirin, chief equity strategist at UBS Wealth Management Research.

Forecasters think earnings will continue to grow by low double digits, with full-year 2011 profits 13.5% above last year. "We've moved away from those easier comparisons, and I think we're really getting a better sense of how things are going to shape up," said Christine Short, Thomson Reuters' director of earnings research.

Huge beats Friday from Goodyear Tire and industrial giant Caterpillar helped extend the market rally. The S&P 500 index rose 2% for the week. Goodyear's huge 325% earnings beat came from higher volleys and higher tire prices — offsetting higher material costs.

While many retailers have yet to report, early same-store sales data are positive. And high gas prices pinch Wal-Mart shoppers, higher-end consumers drive that sector and cringe less at the gas pump, says Christine Chen, a retail sector analyst with Needham & Co. "Consumers are sick of being frugal. Two years is a really long time to not refresh your wardrobe," she said.

But Ugg boots maker Deckers Outdoor and Crocs' warned for the current quarter. Shares of both firms fell sharply on Friday. Seasonal factors normally push profit margins lower in Q1, but this time they seem to be flat vs. a strong Q4, Zirin says.

While materials, energy and industrials are investing in capacity expansion, he thinks overall margins can remain strong. But the consumer outlook is cloudy. Improved hiring is fueling shopping, Short said, but "if gas prices go up, we're going to see fewer consumers."

THE BIG PICTURE

Stocks Tack On Gains In Rising Volume

BY PAUL WHITFIELD

INVESTOR'S BUSINESS DAILY

Stocks posted small gains Friday, wrapping up a second positive week in a row.

The NYSE composite advanced 0.4%, the S&P 500 0.2% and the Nasdaq less than 0.1%. The Nasdaq notched its eighth consecutive gain as volume was above average for the fourth straight day.

Volume rose 1% on the NYSE and 23% on the Nasdaq.

Breakouts continued to pop up Friday, but the names are different from those featured not long ago. This could be healthy if it represents a rotation in leadership rather than a shift to secondary stocks.

In many cases, the classy big names — such as Apple, Netflix, Baidu and Priceline.com — are either in later-stage constructions or have been making new highs in unimpressive volume.

Recent breakouts and bounces off the 10-week average include midcap stocks such as specialty chemicals makers Albemarle and Rockwood Holdings, communications products maker Polycorn, and oil proppant maker Carbo Ceramics.

MARKET PULSE

Friday's action:

Up in higher volume

Current outlook:

Confirmed uptrend

Distribution days:

2 for NYSE composite,

1 for Nasdaq and S&P 500

Leaders up in volume:

Caterpillar, Occidental Petroleum, Ancestry.com, Polypore, Triqum, Accretive Health, Rockwood

Leaders down in volume:

Deckers Outdoor, Under Armour, Endo Pharmaceuticals

and Rockwood Holdings, communications products maker Polycorn, and oil proppant maker Carbo Ceramics.

On Friday, specialty chemicals midcap firm Polypore International, jumped almost 5% in double-averaged volume, closing a cup-with-handle base. The stock is 2% past a 60.60 buy point.

Occidental Petroleum leapt almost 9% in huge volume, clearing an irregular double-bottom base. The oil explorer is 8% past a 106.09 buy point.

For the week, the S&P 500 and the NYSE composite each rose 2%, while the Nasdaq added 1.9%. The IBD 50 lagged, with the average gain just 0.6%.

Economic news was generally positive Friday. Personal income and spending for March was above expectations, while the Chicago purchasing managers index was roughly in line with views.

As April ends, investors might hear the old saw to sell in May and go away.

What's the track record on that? It depends whether an investor is selling early in the month or late. In the past 10 years, the Nasdaq rose in May six times, but rose in June only four times. Watching the price-and-volume action of the indexes is always a better guide than putting faith in cliches.

For now, the uptrend remains in place, making it a good time to buy fundamentally strong stocks breaking out of vald bases.

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