

The month that was February 2010

Published 03/01/10

In the Boyar Universe

Mark Boyar & Company, Inc.'s flagship research publication, *Asset Analysis Focus*, is celebrating its 35th birthday this year, making it, to the best of our knowledge, the longest continually published research service on Wall Street.



A 35th anniversary should not go unmarked, and in celebration, we plan to hold an investor's conference this fall in New York. If you would like to receive an invitation, please call Jonathan Boyar at (212) 995-8300 ext. 215 or email jboyar@boyarvalue.com.

We hope to see you there, and we will keep you apprised of the details as they emerge.

By The Headlines

- The euro continued to come under pressure over concerns about the finances of euro zone member states, particularly those of Portugal, Italy, Ireland, Greece and Spain. Providing the month's most amusing headline, Barclays ordered its analysts to desist from referring to those countries as PiiGS in its notes to clients ("At Barclay's Capital, PiiGs No Longer Fly," *Bloomberg*, February 5, 2010). EU leaders made vague promises of support for Greece, while traders amassed record short positions against the euro.
- Having acquired Burlington Northern Santa Fe for \$34 billion, Warren Buffett's Berkshire Hathaway now replaces it in the S&P 500 stock-index. With a market capitalization of \$160 billion, Berkshire had been the largest company not included in the S&P 500 – the reason for its exclusion was it didn't trade enough due to the high price of its stock. A 50-1 split of Berkshire's class-B shares resolved the liquidity issue, and since the announcement of Berkshire's inclusion, shares have surged 17.6% as index fund managers have been forced to acquire approximately \$20 billion worth of the stock.
- The Federal Reserve raised the interest rate it charges banks for emergency loans a quarter of a point. Reasons why a broader tightening of credit does not appear imminent: (1) productivity increased 6.2% on a seasonally-adjusted basis annual rate in the fourth quarter of 2009 as employers continued to slash labor costs; (2) core consumer prices fell 0.1% in January, the first time core inflation has fallen since 1982.
- \$2.7 billion flowed into U.S. stock funds in January, the first net inflows since August. Bond funds continued to swell, with net inflows of \$28.0 billion in January.
- February marked the anniversary of the Obama administration's \$787 billion stimulus package. Two-thirds of the budgeted funds still have yet to be spent, and \$195 billion in tax cuts are on the way. Consumers appear unimpressed. The Consumer Confidence Index fell to 46.0 in February from 56.5 the month before, the lowest level since April 2009.
- The US launched its biggest offensive in Afghanistan since the start of the war on the Taliban stronghold of Marja. Separately, the Taliban's deputy leader, Mullah Abdul Ghani Baradar, was captured in Pakistan.

By the numbers

	February	YTD 2010
Dow Jones Industrial Average	↑ 2.8%	↓ 0.6%
S&P 500	↑ 3.1%	↓ 0.6%
NASDAQ	↑ 4.2%	↓ 1.4%

	Feb 28, 2010	Jan. 31, 2010	Dec. 31, 2009
10-Year Treasury	3.62%	3.59%	3.84%
30 Year mortgage, fixed	5.19%	5.22%	5.48%
Libor, 3-month	0.25%	0.25%	0.25%
Prime rate	3.25%	3.25%	3.25%
Money market, annual yield	0.84%	0.88%	0.92%
Euro	1.36	1.39	1.43
Pound	1.52	1.60	1.61
Yen	88.85	90.19	92.88
Crude Oil	77.60	72.89	79.28
Gold	1,094.5	1,080.98	1,092.50
Copper	3.19	3.04	3.33
Unemployment	TBD	9.7%	10.0%
US Debt	\$12.4 trillion	\$12.3 trillion	\$12.2 trillion

Executive Summary: The Volker Rule

Paul Volcker, who was Federal Reserve Chairman from 1979-1987, and is currently head of President Obama's Economic Recovery Advisory Board, seeks more stringent regulation of the financial system. A key component of his proposal is to ban proprietary trading by banks: "If you don't want to follow those [banking rules], you want to go out and do a lot of proprietary stuff, fine, but don't do it with a banking license Don't expect the support you would get from being a bank within the club of insured deposits and access to the Federal Reserve and all the loving attention you get as a bank organization."

Mr. Volcker wants to create a resolution authority empowered to take over and close down non-bank financial institutions, and emphasizes the need to restore moral hazard following unprecedented government intervention in the markets: "These non-banks, if they get in trouble, are not going to be saved. Their creditors can't sit there and say, I'm going to be protected. The management can't expect to stay in office. The stockholders can expect to lose." Mr. Volcker seeks cooperation on his plan between the US, UK, Germany and France. Consensus among that group seems improbable, but if he did manage to achieve it, the group could call itself a "coalition of the willing."

Prefer to receive The Boyar Briefing by email?

Email the editor at jboyar@boyarvalue.com, and he will add you to the distribution list. As always, comments are welcome.

Miscellaneous

Most people who know the Boyar family are aware of our research and investment business. Less well publicized is our proud athletic tradition. That tradition continues with Jamie Moriarty, son-in-law of Dr. and Mrs. Carl Boyar. Jamie competed in the Vancouver Olympics in the 4-man bobsled.

Jamie was an All-Ivy League safety while at Cornell, and made the transition to bobsledding five years ago when he retired from football. He is 224 pounds of pure muscle, and his father and three uncles all played in the NFL, so naturally he fits right in with the Boyars. Congratulations, Jamie. Boyar Asset Management is proud to have been the sponsor of a great competitor and an even better guy.

Boyar Financial Publishing LLC prepared this informational piece as a matter of general information. We do not intend it to be a complete description of any security or company. All facts and statistics referenced herein are from sources we believe to be reliable, but we do not guarantee their accuracy and they may be incomplete or condensed. This informational piece does not constitute an offer or solicitation to purchase or sell a security nor is it a solicitation of a proxy or a vote. The informational piece is not a research report. Individuals should consult with a qualified financial professional before making any investment decisions. Because the portfolio managers at Boyar Asset Management, Inc. and our affiliates make individual investment decisions with respect to the client accounts that they manage, these accounts may have transactions inconsistent with the information contained in this information piece. These portfolio managers may know the substance of the information piece prior to publication.