



**Thank God It's Friday!**

**April 24, 2009**

Corporate Earnings Week is like the Super Bowl around here.



We just finished the biggest week of earnings season and are delighted with results. So far so good! Most companies reported better-than-expected financial results while our favorite company, APPLE, exceeded our expectations again validating our thesis that investing in Technology is a theme for all seasons. AAPL is head and shoulders above most tech companies due to its superior design, engineering and marketing. The company ended its second fiscal quarter with a \$29 Billion cash hoard and no debt. However, for a great company to be a great stock investment, management is the key. Even with its spiritual leader, Steve Jobs, away on medical leave until July 1st, management was practically perfect.

Briefly, this was Apple's best non-holiday quarter in its history due to strong sales of the MAC s, iPods and iPhones which sold 3.8 billion phones, up 123% over 2Q2008. An interesting highlight is the company's App Store which will reach its billionth download very soon after its launch a short nine months ago. The Apps are not only an attractive and unique feature for the iPhone, but also responsible for the success of the relatively new iPod Touch. But make no mistake, Apple has its future hooked to computer sales that won't focus on today's iMAC, but rather may favor its future "killer app" which may marry 3G wireless technology to a small notebook. Watch out! Never say never.

Energy stocks finally arrived at the rally party this week boosting the chance this rally could have legs. Without major oil's participation, the current stock market rally could run out of steam. When the barrel of oil crossed above the \$50 level, both Exxon and Chevron tacked-on 3% to their stock prices in the past 2 days.

The only black cloud overhanging our hopes for a glorious worry-free weekend is the Government's WHITE PAPER issued today about the 19 largest US banks. Our takeaway is that most banks have enough capital, but some banks are not well capitalized due to the recession and financial turmoil. Banking Supervisors think large banks should hold higher capital (termed buffers) for 2 years if losses should materialize. The 19 banks hold 2/3 of the assets and 1/2 the loans in the banking system. Although details are slim, more information should be available in May which is just around the corner. The Wall Street Journal summarized the government-speak as follows: "Under a more adverse scenario, which assumes a 10.3% unemployment rate at the end of 2010, banks would have to calculate two-year losses of up to 8.5% on their first-lien mortgage portfolios, 11% on home-equity lines of credit, 8% on commercial and industrial loans, 12% on commercial real-estate loans and 20% on credit-card portfolios, according to a confidential document the Federal Reserve gave banks in February that was viewed by The Wall Street Journal. Regulators are expected to have used other assumptions as well, when measuring a bank's strength." -WSJ

On that boring note, we wish you all a wonderful Spring weekend.

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