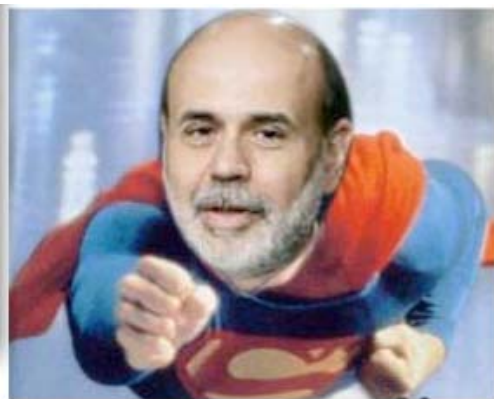


Thank God It's Friday!

July 23, 2010



Apple once again proved it deserves to be the darling of investors. Earnings were UP 75% versus last year's quarter. Sales were UP 61% marking the third consecutive quarter of amazing sales growth. These revenue results came in a full BILLION DOLLARS more than analysts expected. Wait for the 4th quarter ending in September: Could top \$18 BILLION. That's a lot of zeros! Both iPad and iPhone 4 sales this Summer should make the leap easy. Demand for the new iPhone 4 has been "absolutely stunning" in the words of CEO Steve Jobs. As an aside, Apple sold 3.4 million units of its user-friendly MAC computers.



This week's powerful 3% stock rally was driven by strong corporate earnings reports. Imagine this: 80% of companies are beating estimates in a 2% growth economy. WOW, Batman. This is astounding. Increasing sales will fall straight to the bottom line because, due to the recession, most companies have become very lean and highly profitable. Cases-on-point include Coke, IBM, Freeport and McDonalds. Fed Super-Chairman Ben Bernanke gave bond and stock markets an initial scare, but when the dust settled, his reports encouraged investors to focus on the many positive improvements to the economy and predicted a 3% GDP growth for 2010.



Yeah, but what's next? More stellar corporate earnings! Although we invest in stocks, not companies, many perfectly good companies are horrible stock performers. We want it all: hot sales growth, solid earnings, reliable dividends and above all a stock that performs well in the marketplace. While the first priority of a corporation is to survive, it must also prosper. If it doesn't grow, it won't attract the human and financial capital necessary to remain competitive. Competition tends to kill many more businesses than do credit crunches. In other words, corporations aren't in the business of sitting on a stash of cash earning near-zero returns. Cash needs to be either returned to investors as dividends or invested in the business. It is unlikely that companies will reduce their cash by either giving investors a large one-time dividend or by increasing their dividends substantially. More likely is that

the cash will fuel a massive M&A boom (mergers & acquisitions). Once it gets going, it should also drive stock prices higher. Stay tuned. It'll be a long Summer but should be worth the sweating. Both stocks and bonds are heading higher.

By: Jude Bedell