

OLYMPIA ASSET MANAGEMENT

December 20, 2010

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The View from Olympus

Market Overview

The Dow Jones Industrial Average rose 81.59 points (0.72%) last week to 11,491.91 as the tax cut extension (plus sweeteners) sailed through Congress. It's reassuring for those who feel comfortable with business as usual in Congress that all this talk about deficit reduction didn't get in the way of "realpolitik" (politics based on practical and material factors rather than on theoretical or ethical objectives). In Europe the European Central Bank said it would nearly double its capital as it tries to get the euro-zone debt crisis under control. In the meantime, Moody's downgraded Ireland's debt (despite its approval of a \$30 billion loan from the IMF), put Greece's debt under review for a possible downgrade, and warned Spain about its debt. Not to worry...the stock market reached a new closing high for 2010.

In the News

Sara Lee (SLE-17.26): Somebody Likes Sara Lee

The Wall Street Journal reported on its website on Friday that JBS SA, a "giant" Brazilian meat-processing company, is pursuing the acquisition of Sara Lee. The stock rose 5.3% on Friday with 19 million shares changing hands. There have been no confirmations from either Sara Lee or JBS.

Marshall & Ilsley (MI-6.85): Northern Rescue

It was announced on Friday that Marshall & Ilsley, a struggling Milwaukee bank, will be acquired by BMO Financial Group (aka Bank of Montreal) for \$7.75 per share in BMO stock. As part of the agreement, BMO said it will buy all of Marshall & Ilsley's TARP preferred shares at par plus accrued interest — with full repayment to the U.S. Treasury immediately prior to closing. The Canadian bank said it will also buy all of Marshall & Ilsley's warrants held by the U.S. Treasury. The stock rose 18.3% on the news.

International Coal (ICO-7.00): Exit Strategy

Wilbur Ross and Fairfax Financial sold half their holdings in International Coal through a secondary offering at \$7.35. Although, in a television interview, Mr. Ross stated that he still liked the Company and that it was just after eight years it was time to take some profits, the stock declined 13% on the day of the announcement and finished off 17% for the week, at price about 5% below the offering price.

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The Week Ahead

While stock market activity is likely to slow well before the market closes on Friday for Christmas Eve, there will be a number of interesting economic and earnings releases in the holiday-shortened week. With regard to earnings, NIKE and Finish Line, a sporting goods retailer (over 60% of its sales have historically been NIKE merchandise), both report on Tuesday, providing more insight into consumer trends in general and what has been a very strong sporting goods sector in particular. The final third quarter GDP figures will be released on Wednesday; an upward revision from the preliminary figure is expected. Home sales for November – existing and new home sales -- should show further modest improvement. The only Treasury auctions this week are: Monday: \$29 billion of three-month bills and \$28 billion of six-month bills. As of Friday afternoon, the three-month notes were trading at 0.10%, down from last week's auction rate of 0.14%.

Economic Indicators

		<u>Expected</u>	<u>Last Period</u>
Wednesday, Dec. 22:	Q3 GDP (final)	+2.8%	+2.5%
	Nov. Existing Home Sales	4.75 million	4.43 million
Thursday, Dec. 23:	Nov. Durable Goods	-0.7%	-3.4% (revised)
	Nov. Personal Income	+0.2%	+0.5%
	Nov. Consumption	+0.5%	+0.5%
	Dec. Michigan Sentiment	74.5	74.2
	Nov. New Home Sales	300,000	283,000

Source: Bloomberg

Selected Corporate Earnings

		<u>Period</u>	<u>Estimate</u>	<u>Year Earlier Period</u>
Monday, Dec. 20:	Adobe Systems	4Q	\$0.52	\$0.39
	Darden Restaurants	2Q	\$0.54	\$0.33
	Jabil Circuit	1Q	\$0.55	\$0.32
	Jefferies Group	4Q	\$0.32	\$0.46
Tuesday, Dec. 21:	Carnival	4Q	\$0.42	\$0.34
	ConAgra Foods	2Q	\$0.45	\$0.52
	Finish Line	3Q	\$0.05	\$0.00
	NIKE Inc.	2Q	\$0.88	\$0.76
Wednesday, Dec. 22:	American Greetings	3Q	\$10.71	\$0.75
	Bed Bath & Beyond	3Q	\$0.65	\$0.58
	Micron Technology	1Q	\$0.30	\$0.23
	Walgreen	1Q	\$0.53	\$0.49

Source: Thompson First Call

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