

From the Desk of John Colley ...

Reflections and Buzz ...

***On the jobs front**, U.S. payrolls rise by 115,000 and this moves the jobless rate to 8.1% (from 8.2%). This is not the whole story though and economists were expecting a better number ... causing stocks and oil prices to dip at the open.

Reflections: Stocks that miss badly have gotten “hit hard”. Take a look at RIMM, NetFlix or Green Mountain Coffee as the latest bear reactions. One exception (in favor) is Linked In, with a stratospheric P/E of over 400, most feel it doesn’t seem deserved or maintainable. The euphoric appeal seems very hyped-up and not fundamentally backed. By contrast, Apple’s P/E of 13 (88% EPS growth and AAA balance sheet with \$100 billion in cash and starting to expand globally ... dividend to come this summer) is a true bargain at current price levels. Its forward P/E is a mere 7; can we spell “undervaluation”?

With 78% of the large cap S&P 500 Index reporting so far, we have seen 84% of those companies reporting results that met or beat the Street estimates.

Forward guidance is not a big disappointment, but the 2.2 GDP growth number (versus 2.5 estimate) was a letdown. The labor front news is so inconsistent and lackluster that enthusiasm is “flat-lined” ... Slow recovery on track to continue and remain irregular and touchy at times. **Diagnosis:** Pockets of strength will exist, but more of the same expected. Stay with defensive blue chips, high yield, and momentum winners.

French President/PM up for grabs ... French Election is Sunday with results out Monday.

China’s GDP came in very solid at 8% growth, confirming that a good “soft” landing is in place.

Warren Buffett, CEO of Berkshire Hathaway and legendary long-term investor says our U.S. economy is improving, and although not at a fast rate, the upward trajectory is intact.

All the best for your weekend,

JC

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