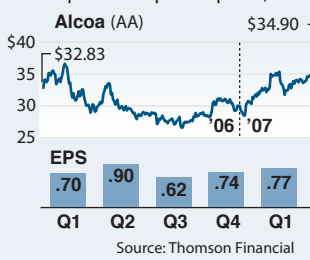


Today
The first quarter earnings season got off to a roaring start with record income from Alcoa Inc. That should generate optimism on Wall Street today. Minutes from the Federal Reserve's March meeting may also move the markets.

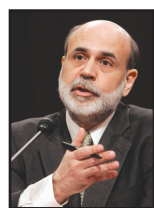
Alcoa earnings

Aluminum producer Alcoa (AA), the first Dow Jones industrial component to report first-quarter profit, saw its earnings-per-share rise 10 percent from a year ago. The results beat Wall Street forecasts by 2 cents per share. Rising income from pre-fabricated aluminum products and engineered solutions bolstered the bottom line, and higher commodity prices offset a slip in demand.



FOMC minutes

The Federal Reserve will release the minutes of its March 20-21 meeting at 2 p.m. EDT today. The minutes offer more candid opinions about the state of the economy and the risk of inflation than the carefully worded policy statements that come along with the Fed's interest rate decisions. Wall Street will look closely for signs of higher inflation risk, especially with the strong recent jobs report.



Bernanke

How cheap is cheap?

Historically, the Standard & Poor's 500 index has traded at a price-earnings ratio of 19.8. Currently, that ratio is 15.9 — seemingly cheap. Yet even though the market's average P/E is low, many sectors are more expensive.

	P/E
Information technology	23.0
Healthcare	19.2
Consumer discretionary	19.0
Consumer staples	18.7
Telecommunications	18.7
Industrials	16.9
Utilities	16.9
S&P 500	15.9
Materials	15.1
Financials	12.7
Energy	10.0

Source: Dow Theory Forecasts

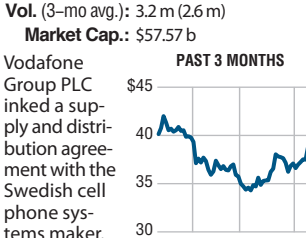
Briefly

Merrill Lynch's North America economist, David Rosenberg, touched a nerve with Wall Street veterans when he said late last month that the economy appeared to be heading toward modern-day "stagflation." This week, Rosenberg backed away from the term, which many associate with 1970's-style double-digit inflation, noting the "tremendous emotion" it evoked. He's got a new phrase, though: "slowflation."
Expect volatility in the oil market today as the Energy Department releases its national inventory report, due out at 10:30 a.m. EDT.
Companies releasing earnings include insurer **Progressive Corp.** (PGR, \$0.46 est./\$0.55 pvs.) and, after the bell, retailer **Bed Bath & Beyond Inc.** (BBBY, \$0.78/\$0.67) and biotech company **Genentech Inc.** (DNA, \$0.67/\$0.46).

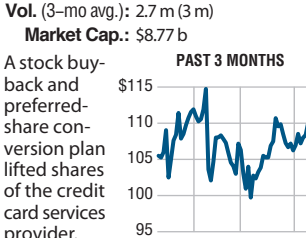
Story Stocks

Stocks edged higher Tuesday as investors refrained from major moves ahead of first-quarter earnings reports. The Dow Jones industrial average rose modestly, posting its eight-straight gain for the first time since 2003. It advanced 4.71, or 0.04 percent, to 12,573.85. The S&P 500 rose 0.26 percent.

LM Ericsson Telephone ERIC
LOW 52-WEEK HIGH
\$28.88 \$42.13
Close: \$38.84 +1.35 (+3.6%)
Vol. (3-mo avg.): 3.2 m (2.6 m)
Market Cap.: \$57.57 b



Mastercard Inc. MA
LOW 52-WEEK HIGH
\$42.85 \$118.07
Close: \$110.01 +1.67 (+1.5%)
Vol. (3-mo avg.): 2.7 m (3 m)
Market Cap.: \$8.77 b



99 Cents Only Stores NDN
LOW 52-WEEK HIGH
\$10.00 \$16.21
Close: \$15.31 +0.80 (+5.5%)
Vol. (3-mo avg.): 1.4 m (661.7 k)
Market Cap.: \$1.07 b



United Rentals Inc. URI
LOW 52-WEEK HIGH
\$20.25 \$37.84
Close: \$32.36 +4.81 (+17.5%)
Vol. (3-mo avg.): 11.9 m (1.1 m)
Market Cap.: \$2.63 b



Caribou Coffee Company CBOU
LOW 52-WEEK HIGH
\$5.91 \$10.60
Close: \$7.35 -0.26 (-3.4%)
Vol. (3-mo avg.): 48.8 k (46.1 k)
Market Cap.: \$141.77 m



Seagate Technology STX
LOW 52-WEEK HIGH
\$19.15 \$28.51
Close: \$22.00 -1.46 (-6.2%)
Vol. (3-mo avg.): 34.9 m (6.4 m)
Market Cap.: \$12.05 b



Money & Markets



Stocks Recap

	NYSE	NASD
Vol. (in mil.)	2,797	1,712
Pvs. Volume	2,813	1,976
Advanced	2089	1514
Declined	1217	1513
New Highs	199	95
New Lows	29	64

	HIGH	LOW	CLOSE	CHG.	%CHG.	WK	MO	QTR	YTD
DOW	12394.98	12324.28	12382.30	+27.95	+0.23%	▲	▲	▲	-0.65%
DOW Trans.	4818.74	4785.80	4816.83	+6.13	+0.13%	▼	▲	▲	+5.63%
DOW Util.	510.45	500.24	510.20	+10.02	+2.00%	▲	▲	▲	+11.70%
NYSE Comp.	9307.89	9249.32	9305.55	+43.73	+0.47%	▼	▲	▲	+1.82%
NASDAQ	2427.94	2409.04	2422.26	+0.62	+0.03%	▼	▲	▲	+0.29%
S&P 500	1425.49	1416.37	1424.55	+3.69	+0.26%	▼	▲	▲	+0.44%
S&P 400	852.52	847.63	852.41	+3.94	+0.46%	▼	▲	▲	+5.97%
Russell 2000	803.22	798.17	803.22	+2.51	+0.31%	▼	▲	▲	+1.98%
Wilshire 5000	14452.45	14369.36	14447.55	+38.28	+0.27%	▼	▲	▲	+1.33%

Consumers and investors stick with staples

Home Depot or Wal-Mart? Starbucks or Budweiser? One of the keys in picking which consumer stock to buy is knowing how the economy is expected to fare.

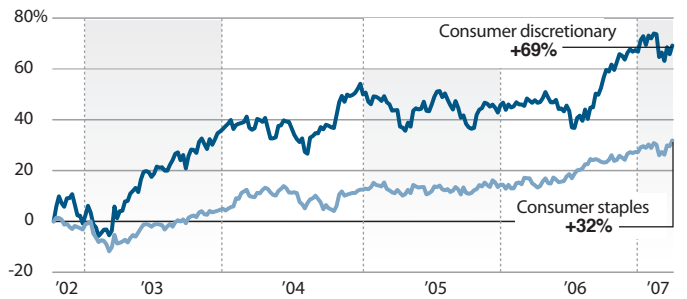
The consumer staples sector of the Standard & Poor's 500 index consists of companies whose products and services are considered essential — food producers, drug-stores and makers of personal care products like soap and toothbrushes. The discretionary sector consists of companies that make products that aren't as critical to daily living, such as entertainment companies and high-end clothing makers.

Since the bull market began in October 2002, discretionary stocks have markedly outperformed staples. "When you have a strong, growing economy and more jobs, the feeling is that consumers will spend more on things other than the essentials," says Jack Ablin, chief investment officer at Harris Private Bank.

So far this year, however, most staples have outperformed discretionary stocks, as have exchange-traded funds that track staples. "The economy is slowing now, and that's going to help staples as investors move to what's considered the more defensive sectors," Ablin says.

Consumer staples are expected to have the best first-quarter earnings

Discretionary stocks have outperformed staples since the bull market started in October 2002, but Wall Street thinks that's changing.



Discretionary stocks generally have underperformed staples this year

COMPANY	P/E	YTD
Avon Products (AVP)	36.8	17.6%
Archer Daniels (ADM)	15.2	15.6
CVS/Caremark (CVS)	21.6	12.1
Altria Group (MO)	12.4	10.8
Safeway Inc. (SWY)	18.6	6.8
Anheuser Busch (BUD)	20.2	4.7
Wal-Mart Stores (WMT)	17.8	4.6
General Mills (GIS)	18.5	3.0
Coca-Cola (KO)	22.9	2.3
Procter & Gamble (PG)	22.4	-1.4
ETFs		YTD
Vanguard Consumer Staples ETF (VDC)		4.3%
Select Sector SPDR Consumer Staples (XLP)		4.0

gains (10 percent) and consumer discretionary companies the biggest drop (10 percent) among the 10 sectors in the Standard & Poor's 500. Investors need to keep watching economic reports, however.

COMPANY	P/E	YTD
Federated Stores (FD)	24.7	19.7%
Nike (NKE)	19.8	8.6
McDonald's (MCD)	16.1	2.0
General Motors (GM)	n/a	1.7
Staples (SPLS)	20.0	-1.3
Home Depot (HD)	13.6	-4.6
Time Warner (TWX)	13.4	-5.1
Comcast (CMCSA)	33.3	-6.6
Limited Brands (LTD)	16.0	-8.8
Starbucks (SBUX)	41.9	-11.5
ETFs		YTD
Vanguard Consumer Discretionary ETF (VCR)		2.0
Select Sector SPDR Consumer Discretionary (XLY)		0.6

Friday's strong report on jobs created in March makes it unclear how much the economy is slowing. If strong growth returns, discretionary stocks could outperform staples once again.

Interest rates



Interest rates fell modestly on strong demand from foreign buyers. Bonds reversed course after last week's strong U.S. employment report raised yields.

TREASURIES	YEST	PVS	NET CHG	WK	MO	QTR	1YR
3-month T-bill	4.91	4.91	...	▼	▼	▲	4.50
6-month T-bill	4.87	4.86	+0.01	▼	▼	▲	4.64
1-year T-note	4.86	4.87	-0.01	▲	▲	▼	4.85
2-year T-note	4.57	4.57	...	▲	▲	▼	4.82
5-year T-note	4.53	4.53	...	▲	▲	▼	4.81
10-year T-note	4.64	4.64	...	▲	▲	▼	4.85
30-year T-bond	4.83	4.84	-0.01	▲	▲	▼	4.89

BONDS	YEST	PVS	NET CHG	WK	MO	QTR	1YR
Lehman Bros Bond Idx	4.86	4.86	...	▲	▲	▲	5.04
Bond Buyer Muni Idx	4.59	4.61	-0.02	▲	▲	▼	4.80
Lehman US Inv Grade	5.28	5.27	+0.01	▲	▲	▼	5.47
Lehman US High Yield	7.59	7.59	...	▲	▲	▼	8.13
Moody's Bond Index	5.43	5.41	+0.02	▲	▲	▲	5.67
Bank Index	112.15	113.86	-1.71	▼	▼	▼	106.23
DJ Corp Bond	199.64	199.42	+0.22	▼	▼	▼	186.19

Commodities

A weaker U.S. dollar, and Iran's announcement that it has boosted uranium production, sent gold and silver to their highest levels in five weeks. Oil recovered after falling more than \$3 the previous day.

FUELS	CLOSE	PVS.	%CH.	%YTD
Crude Oil (bbl)	65.94	65.87	+0.11	+8.0
Ethanol (gal)	2.19	2.19	...	-12.2
Heating Oil (gal)	1.86	1.88	-1.06	+16.4
Natural Gas (mmbtu)	7.67	7.73	-0.78	+21.8
Unleaded Gas (gal)	2.04	2.11	-3.32	+27.3

METALS	CLOSE	PVS.	%CH.	%YTD
Aluminum (lb)	1.21	1.23	-1.63	-3.2
Copper (lb)	3.17	3.14	+0.96	+11.1
Gold (oz)	665.70	663.00	+0.41	+4.8
Platinum (oz)	1249.00	1248.30	+0.06	+9.6
Silver (oz)	13.29	13.39	-0.75	+3.8

AGRICULTURE	CLOSE	PVS.	%CH.	%YTD
Cattle (lb)	0.99	0.98	+1.02	+9.5
Coffee (lb)	1.09	1.09	...	-13.6
Corn (bu)	3.55	3.75	-5.33	-9.0
Cotton (lb)	0.53	0.54	-1.85	-5.7
Lumber (1,000 bd ft)	249.30	240.50	+3.66	-7.0
Orange Juice (lb)	1.92	1.89	+1.59	-4.6
Soybeans (bu)	7.79	7.61	+2.37	+14.0
Wheat (bu)	4.28	4.38	-2.28	-14.6

Foreign Exchange

The dollar fell against other major currencies Tuesday amid worries over trade troubles between the U.S. and China and persistent concern about the strength of the U.S. economy.

MAJORS	CLOSE	CHG.	%CHG.	6MO. AGO	1YR. AGO
USD per British Pound	1.9746	-0.0036	-1.8%	1.8872	1.7384
Canadian Dollar	1.1591	-0.0022	-2.6%	1.1206	1.1726
USD per Euro	1.3331	-0.0033	-2.5%	1.2727	1.2141
Japanese Yen	118.88	-0.00078	-9.3%	117.89	117.65
European Peso	10.9777	+0.00369	+4.1%	11.0341	10.8605

EUROPE/AFRICA/MIDDLE EAST	CLOSE	CHG.	%CHG.	6MO. AGO	1YR. AGO
Israeli Shekel	4.1575	+0.001	+0.4%	4.2910	4.6505
Norwegian Krone	6.1288	-0.007	-4.3%	6.5867	6.4907
South African Rand	7.1843	+0.014	+1.0%	7.8744	6.1015
Swedish Krona	7.0193	-0.000	-0.0%	7.3237	7.7508
Swiss Franc	1.2221	-0.049	-6.0%	1.2451	1.3041

ASIA/PACIFIC	CLOSE	CHG.	%CHG.	6MO. AGO	1YR. AGO
Australian Dollar	1.2303	-0.0036	-4.4%	1.3455	1.3957
Chinese Yuan	7.7335	-0.000	-0.0%	7.9041	8.0185
Hong Kong Dollar	7.8160	-0.001	-0.8%	7.7909	7.7601
Indian Rupee	42.942	+0.001	+4.3%	45.680	44.390
Singapore Dollar	1.5191	+0.003	+0.5%	1.5820	1.6160
South Korean Won	936.33	+0.00001	+0.9%	947.60	970.30
Taiwan Dollar	33.13	-0.000	-0.0%	33.09	32.58

As Bally Total Fitness slips, rivals sprint

With two-thirds of American adults considered overweight or obese, the fitness industry is poised to capitalize on the battle of the bulge. But fitness centers have had mixed success. Bally Total Fitness Holding Corp. (BFT) may file for bankruptcy to cope with \$827 million in debt. Meanwhile, rivals Life Time Fitness Inc. (LTM) and Town Sports International Holdings Inc. (CLUB) are thriving. In fact, RBC Capital Markets analyst Edward Aaron calls Town Sports, which went public in June, "an ideal stock for the current environment." Analysts say Life Time and Town Sports have succeeded by not falling victim to price wars and bloated

marketing costs. Bally's decline could be a boon for both companies. Life Time told Prudential Equity Group's Joel Simkins that Bally's troubles could create "land-grab" opportunities for its rivals.
But the outlook is not entirely rosy. An economic downturn could lead customers to trade in their gym memberships for jobs in the park. According to data cited by CIBC World Markets analyst Vivian Ma, a third of U.S. fitness center members report annual income below \$50,000, and 11 percent report income of \$25,000 or below. "We expect macroeconomic swings notably in employment levels to affect membership retention rates," Ma says.

COMPANY	LAST	RETURN	P/E	REVENUE	% CHNG. '06	MKT CAP
Town Sports International Holdings (CLUB)	\$22.82	64.7%*	163.0	\$433.1m	\$4.6m +163%	\$549m
Life Time Fitness Inc. (LTM)	\$0.49	8.8	37.1	\$11.9m	\$0.6m +23%	\$6m

SOURCES: Thomson Financial, Centers for Disease Control and Prevention
K. Lee, J. Qi • AP

Local Stocks

NAME	TICKER	52-WK RANGE	◇CLOSE	CLOSE	CHG	%CHG	WK	MO	QTR	YTD CHG	1YR RTN	VOL (Thous)	P/E	DIV	
AT&T Inc	T	24.72	→	39.86	39.46	+0.3	+0.1%	▲	▲	▲	+10.4%	50.8%	27005	21	1.42f
Adv Micro Dev	AMD	12.96	→	35.75	12.83	-23	-1.8%	▲	▲	▲	-37.0%	60.6%	16485	dd	...
Altria Group	MO	49.78	→	65.90	68.22	+2.32	+3.5%	▲							