Sheaff Brock **MARKET UPDATE** March 19, 2010

Quote of the week

"I can't believe it! Reading and writing actually paid off!."
Matt Groening, Creator of The Simpsons

We have been catching up on some reading and thought we would share some interesting (to us anyway) tidbits.

Bloomberg Business Week, March 22 –29 issue

"Veteran money manager Lazlo Birinyi says the 69% gain for the S&P 500 since the March 9th low last year is just the beginning of a bull market that may last through the next Presidential election."

"Barton Biggs and Steve Leuthold share his optimism, saying stocks will advance as the economy gains momentum and the fastest corporate earnings growth since 1994 persuades investors to shift into stocks from bonds."

"The average bull market since the 1960s has lasted 1000 trading days, data compiled by Bloomberg and Biryni show, while this one is just 250 days old."

"I'm very struck by the level of bearishness everywhere I go; I'm bullish because the global economic recovery is on track and is going to be surprisingly strong. The world was falling apart in 2009. There has been a tremendous change.", says Biggs.

"Investors have pumped $369 billion into bond mutual funds since March of 2009 compared with only $23 billion for stock funds."

"Individual investors, as measured by mutual fund flows, have absolutely no enthusiasm for stocks", Leuthold says. "As a contrarian, I view this environment of disbelief and skepticism as quite bullish."

If these guys are right this time (historically they have been darn good) folks in our Classic Growth and Auer Growth Fund may have a few years of sweet dreams.

Forbes, March 29 issue

"If you like dividends, you are in for a good decade. Corporations are awash in cash, and they are not likely to squander it. The ratio of cash to total assets for S&P 500 nonfinancials has surged in the past 12 months to a 35-year high of 9.7%."

"There are only three determinants of equity returns: dividends, earnings and P/E ratios. P/E ratios are unlikely to expand from where they are now, given that interest rates are unlikely to go lower than they are now. That leaves only two ways for a stock to deliver profits to investors: from earnings growth and from dividends."

Sounds good for our Dividend Growth accounts.

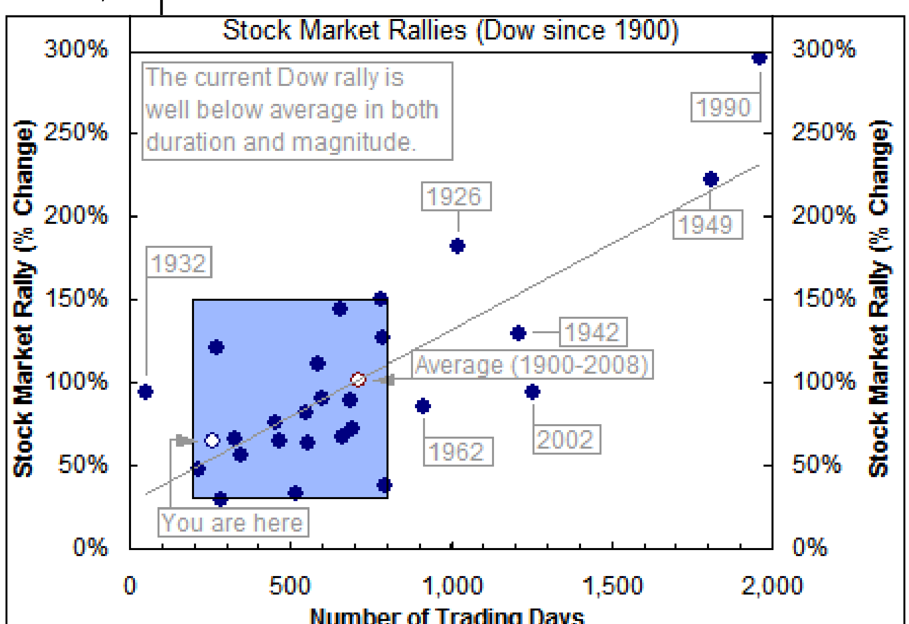
Standard & Poors, The Outlook March 17 issue

"The big question is what happens in the second year of a bull market? On average since 1949 large cap stocks rose 15% and small cap stocks gained 22% in the second year."

It is similar to a stanza in the Herman's Hermits song "I'm Henry VIII I Am" - "second verse same as the first." Historically, as the market keeps rising, small caps beat large caps, and a rising tide once again lifts all boats."

To put the last year's market rally in perspective, below shows all major market rallies of the last 110 years plotted on a chart. Most major rallies resulted in a gain of between 30% and 150% and lasted between 200 and 800 trading days (blue shaded box)

As it stands now the current rally has just entered the low range of a "typical" rally. This bull market is just a sprout.



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In our managed accounts we have recently added a few stocks. Here is the who, what and why:

LAZARD

(LAZ) Midsized merger & acquisition advisor and asset management firm. They have successfully attracted talent from other investment banks that imploded last year. Lehman lost, Lazard won...every putt makes someone happy. Financials are good, forward P/E is 14, and earnings should grow 125% over the next 2 years. We paid $38 and feel it could go to $55 to $60 in the next year or two.

NEWMONT

Newmont Mining (NEM) is one of the world's largest gold and copper miners. Very strong financial position, strong sales (up 18% last year and maybe 12% this), and earnings should grow 60% in the next two years. They have no hedges on their gold production, so if gold keeps rockin', Newmont should keep rollin'. We paid $51 and are hoping for $65 to $70. It's a good covered call candidate as well.

CCi CORINTHIAN COLLEGES, INC.

As Bob Auer says, "These kind of schools are the only ones teaching people a skill that will actually get them a job." Corinthian (COCO) is a for-profit college teaching technical skills, healthcare and legal technicians, computer tech skills, etc. Incredible financial strength, 120% 2 year earnings growth, 30% revenue growth last quarter, and a P/E below 10. This sector has been pounded down to low valuations. When the P/E expands back to even 15, still cheap, the stock should trade between $30 and $40. We paid $17.

NYSE Euronext

This is the stock of the NYSE (NYX). They now make 75% of their money from derivative exchanges around the world and only 25% from the NYSE. Reasonable debt, 15% per year earnings growth, forward P/E of only 11, AND a dividend yield of over 4%. As global trading recovers (reread the front page) the "Wall Street" stocks will too. We paid $29 and are hoping for $45 or $50.

bp

(BP) Oil and Gas. 30%+ earnings growth, P/E of 7, low debt, very strong balance sheet, and a dividend of 6%. Dividend has grown year after year too. We paid $56 and look for $75, give or take, in a couple of years. Global recovery leads to increasing demand for oil which leads to happy "big oil" shareholders. You might not be happy standing next to the gas pump, but the dividend from the stock will wipe that frown off your face.

HUDSON CITY *Bank on Better Values*

Hudson City Bancorp (HCBK) has been named one of the best managed banks in the country for 3 years in a row by Forbes magazine. 11% earnings growth, P/E of 10, dividend yield of 4.5%. Zero, zippo, nada subprime mortgage exposure and management or employees own 30% of the stock; which is probably why they didn't make all of those dumb loans other banks did. Unlike other New York banks, Hudson City stayed away from your tired, your poor, and your huddled masses. Plain vanilla is the best flavor for a bank stock. We paid $13.50 and are hoping for $20 to $25.

Our Classic Growth and Dividend Growth portfolios are having a great start to the year. If the guys on the front are halfway right, the next part of the show could be even better. Stayed tuned.

Performance year-to-date as of 3/19/10

Sheaff Brock Growth Model	**+9.6%**
Sheaff Brock Dividend Growth	**+8.1%**
Auer Growth Fund	**+2.4%**
S&P 500	+4.0%