



### Strategas Research Partners

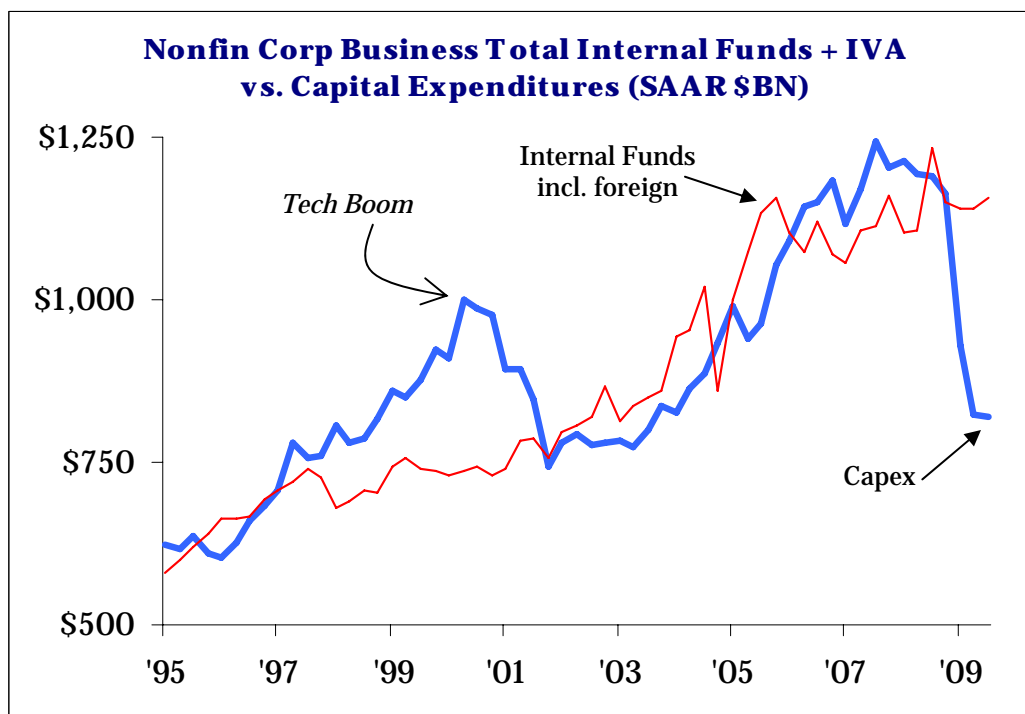
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## Introducing Strategas' Macro Screen...

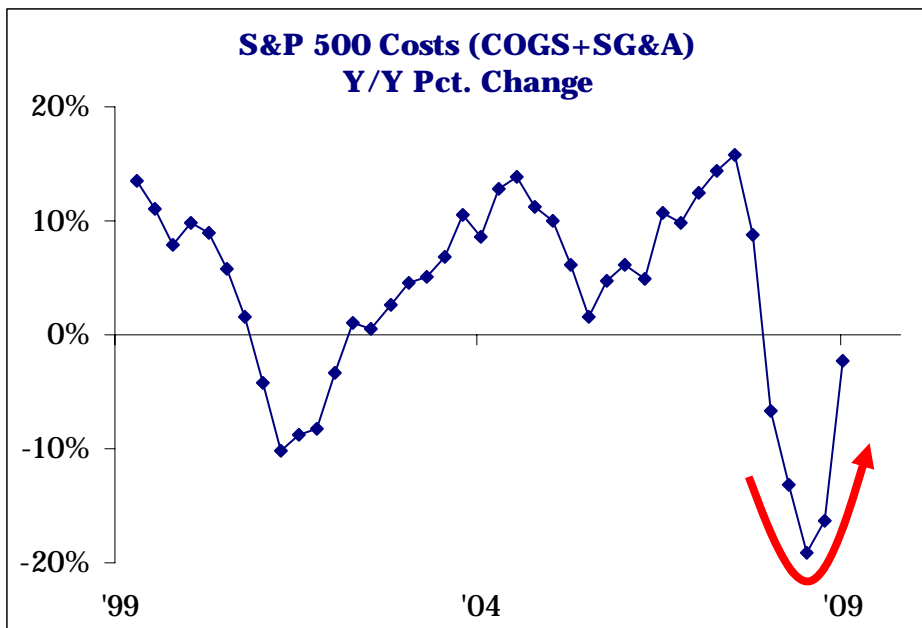
### Looking for Equity Ideas at the Intersection of Economic, Fundamental, and Technical Cross-Currents

Given the strong impact each of our research verticals has on one another, we thought it would prove useful to make a regular exercise of screening for companies which hit on themes we see developing across different analytical disciplines – Economics, Fundamental, and Technical. We will periodically re-calibrate our Macro Screen by asking a different question across each vertical. *For February...*

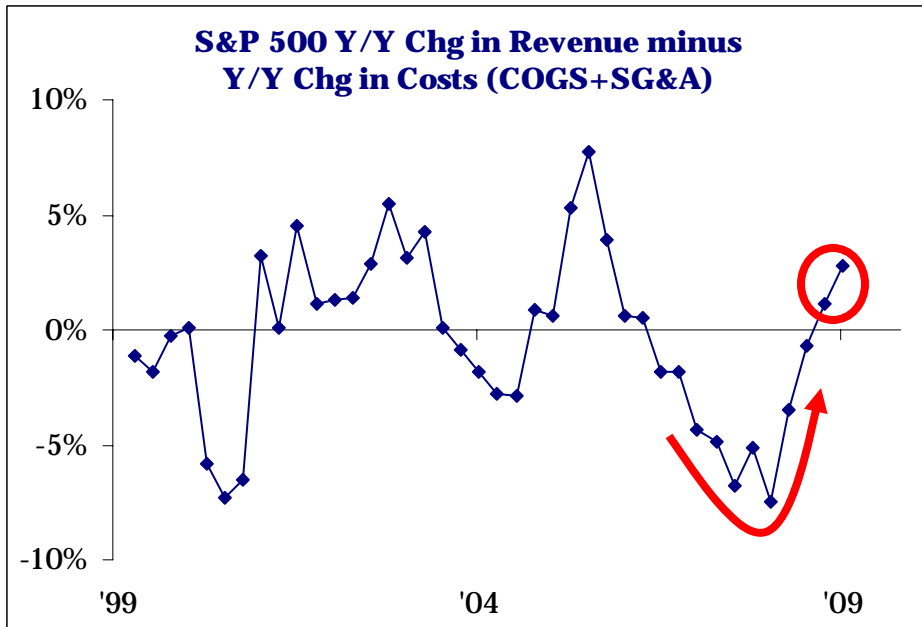
**Economic** – Without pent up demand for consumer durables, like autos and housing, business spending will likely have to be the driver for the economy to transition from “recovery” to “expansion” this cycle. While this may contribute to increased volatility in the business cycle (see the 1950s), capex may show itself as the locomotive for sustainable growth this time. **Given the strength in corporate balance sheets, we believe investors will begin to reward companies that can take market share – likely through increased capex or acquisition.**



**Fundamental** – For the better part of 2009, the market was consumed with the outsized surprises on the bottom-line companies were posting in their quarterly earnings releases. As we have highlighted in the past, companies’ ability to rationalize costs in an effort to drive profitability – the cause of this trend – appears to have come to an end. **Looking forward, companies who are able to grow top-line growth are likely to be rewarded as investors transition toward higher quality names.**



When real demand begins to ebb and revenue growth declines, corporations have historically been rather adept at rationalizing costs to meet (and beat) lowered profit expectations – this, however, appears played out.

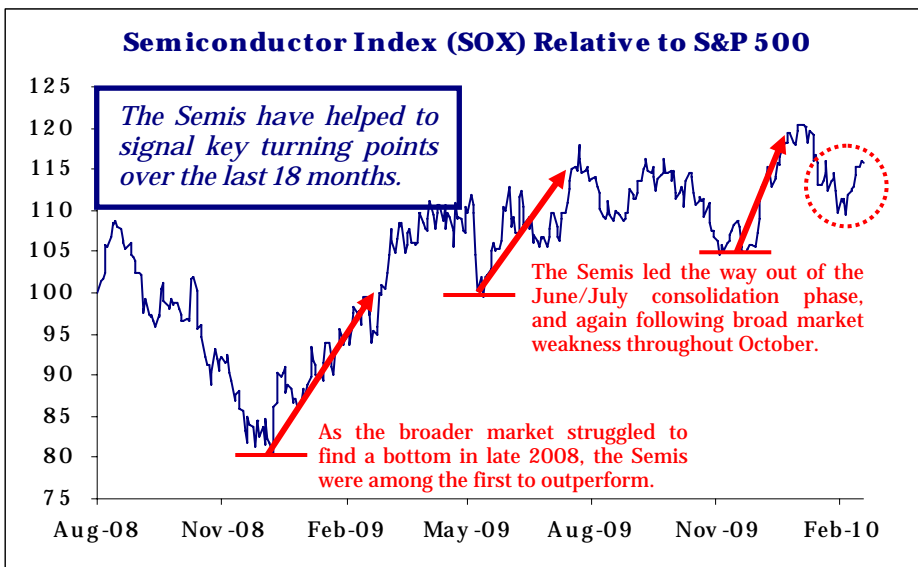


After troughing in 4Q '08 and trending higher since, the spread between revenues and costs turned positive in 3Q '09 – suggesting stronger top-line and cost rationalizations are now working together.

<b>Percentage of S&amp;P 500 Companies Beating Consensus Revenue &amp; EPS Estimates</b>					
	4Q	1Q	2Q	3Q	4Q
	2008	2009	2009	2009	2009
% Beating on Top-Line (Revenue)	33.8%	36.4%	50.1%	59%	<b>68%</b>
% Beating on Bottom-Line (EPS)	60.1%	67.5%	72.3%	79%	<b>72%</b>
Revenue to EPS Surprise Ratio	0.56	0.54	0.69	0.76	<b>0.94</b>

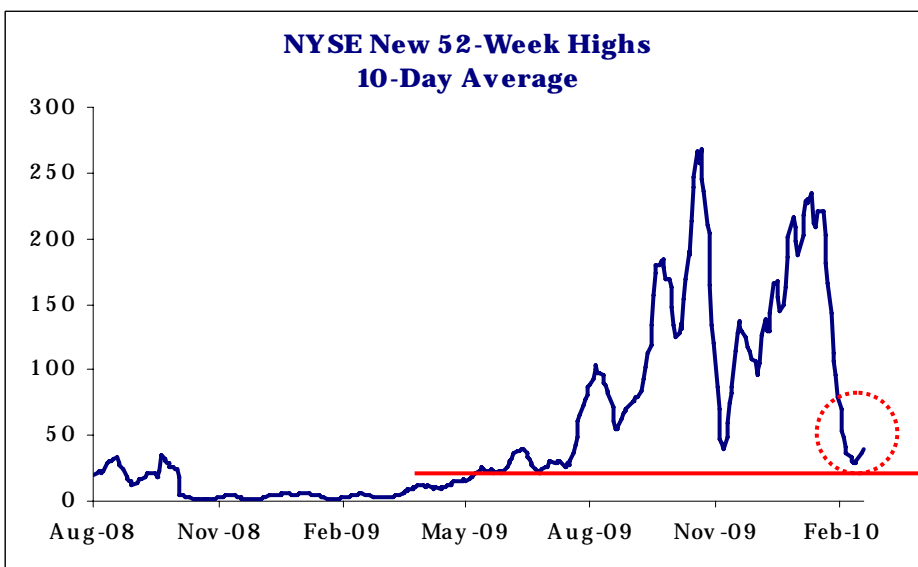
**Technical** – We have been impressed with the resiliency the market displayed over the last several weeks, and similar to previous consolidation periods over the last 10 months, buyers have again stepped up at key technical levels. Following early-February’s successful test and hold of S&P 500 support at 1,044, recent daily closes have trended near the upper-end of the day’s range (a positive near-term signal). Additionally, we have consolidated with the benefit of a healthy technical backdrop – the market’s moving average profile remains sound and trend continues to transition higher. **Ultimately, we believe it is likely a two-step process that will help push the market out of its current trading range.**

***STEP 1: Fresh Leadership Needs to Take Hold.***



Over the last two weeks, considerable progress has been made on this front – cyclical indices like the Semis and Homebuilders, have started to outperform by a significant margin.

***STEP 2: 52-Week Highs Need to Reaccelerate & the % of Stocks Above their 50-Day Moving Average Has to Improve.***



It’s difficult for the market to sustain an advance while the number of stocks making new 52-week highs is anemic. It looks like this metric is starting to transition higher – a good development. Also, the % of NYSE stocks above their 50-day average is back to the 50% threshold – this is another good development.

## Strategas Macro Screen – February 2010

Screen Parameters for February...

**Universe:** S&P 1500

**Economics:** 5-year growth in capex > sector average

**Fundamental:** 2 quarters of sequential revenue growth; rate of growth increasing

**Technical:** Both 50 & 200-Day MA in Uptrend; 50-Day MA > 200-Day MA;  
Last Price > 50 & 200-Day MA

		Mkt-Cap (\$MM)			Mkt-Cap (\$MM)
<b>Energy</b>			<b>Industrials</b>		
HAL	Halliburton	28,031.9	DHR	Danaher	24,279.4
HES	Hess	19,872.8	CMI	Cummins	11,393.2
CHK	Chesapeake Energy	17,081.3	SWK	Stanley Works	4,490.7
NBL	Noble Energy	13,260.6	OSK	Oshkosh	3,522.9
CNX	Consol Energy	9,081.6	ESL	Esterline Technologies	1,234.9
XEC	Cimarex Energy	4,761.0	<b>Discretionary</b>		
PDC	Pioneer Drilling	460.6	DV	DeVry	4,346.0
<b>Health Care</b>			NFLX	Netflix	3,447.4
UNH	UnitedHealth Group	37,677.7	FOSL	Fossil	2,457.2
ESRX	Express Scripts	24,395.1	<b>Staples</b>		
TMO	Thermo Fisher Scientific	19,889.0	CHD	Church & Dwight	4,562.6
ISRG	Intuitive Surgical	13,136.0	GMCR	Green Mountain Coffee	3,641.8
PRGO	Perrigo	4,386.9	<b>Technology</b>		
CVD	Covance	3,645.1	AAPL	Apple	183,671.3
PKI	PerkinElmer	2,520.9	WDC	Western Digital	9,749.3
REGN	Regeneron Pharma	2,383.4	CTXS	Citrix Systems	8,031.0
OSIP	OSI Pharmaceuticals	2,134.4	AKAM	Akamai Technologies	4,400.2
SLXP	Salix Pharmaceuticals	1,524.5	ANSS	Ansys	3,799.0
CBST	Cubist Pharmaceuticals	1,229.7	ARW	Arrow Electronics	3,408.1
PRXL	PAREXEL International	1,182.1	WBSN	WebSense	901.2
IART	Integra LifeSciences	1,124.7	AGYS	Agilysys	229.1
CNMD	CONMED	649.6	<b>Utilities</b>		
CMN	Cantel Medical	335.8	STR	Questar	7,438.5
<b>Financials</b>			WR	Westar Energy	2,361.6
JLL	Jones Lang LaSalle	2,680.9	<b>Materials</b>		
CSH	Cash America Intl	1,094.4	OMG	OM Group	1,016.3
EZPW	Ezcorp	837.9			
WRLD	World Acceptance	668.6			

**Note** - No Telecom passed the screen