Hi Everyone,

Stocks danced around the unchanged line Friday in a quiet session of silent reverie. The bulls were able to briefly push the S&P 500 over resistance from its January high before sellers descended and kept the big-cap stocks flat. Volatility was light with the trading range as tight as a miser's fist.

Friday's big news came from the White House when reporters learned that President Obama is set to nominate Janet Yellen, president of the San Francisco Fed, as vice-chairman of the Federal Reserve. If confirmed, Yellen would replace the retiring Don Kohn. Yellen is considered one of the most "dovish" of the Fed's interest-rate committee -- which means that she is less concerned about inflationary pressures and is focused instead on increasing the economy's growth rate.

While the confirmation of Yellen is expected to have little impact on Fed policy in the near-term, the more important takeaway here is that Obama appears to wish to fill Fed vacancies with policy doves because he wants interest rates to be kept low, low, low. There are three vacancies at the moment: two governors and a vice-chairman.

In reaction to the Yellen report, the U.S. dollar dropped since lower interest rates will typically lead, through a variety of means, to a depreciation of the greenback over time. This in turn slightly bolstered commodities and materials stocks, but the overall impact was muted. The euro rose in reaction to the dollar's fall as well as bringing some good industrial production numbers out of Europe.

Remember that a falling dollar and a rising euro are generally seen as bullish for risky assets. The fact that we failed to get a larger stock market rally on these currency movements is a possible sign that *buyer fatigue* is setting in.

The consumer was also at the center of Wall Street's attention with the release of new data on retail sales and confidence. Sales in February surprised to the upside, expanding 0.3% when analysts were expecting a 0.2% decline despite poor weather and the troubles for Toyota.

And finally on the housing front, RealtyTrac reported that foreclosure activity rose 6% year-over-year for the smallest rise since January 2006 in a sign that the *housing* market continues to *stabilize*. Although a large number of homeowners remain in distress, a leveling-off of foreclosure activity reflects the positive impact ultra-low mortgage rates and mortgage modification programs are having. Separately, the U.S. Treasury reported that the number of households benefiting from a taxpayer-subsidized assistance program rose 6% to one million.

Technically, we continue to see signs of a market that is *ready to move lower*. Breadth is narrowing, with the percentage of stocks above their 10-day moving average dropping into the mid-80s from a peak of 92% last Friday. We're also seeing fewer new highs on the NYSE. All of this suggests that fewer and fewer stocks are holding the market up.

The Wilshire 5000 Composite Index was up for 10 consecutive days heading into today's session -- something that hasn't happened since 1995. Now make it 11. The streak was kept alive Friday with the Wilshire gaining the tiniest sliver of a fraction -- rising just 0.01%.

But don't get too excited. The end of March has been a seasonally weak period for stocks over the last 20 years. This is likely due to end-of-quarter portfolio rebalancing. According to the Stock Trader's Almanac, March 19 and March 23 both have the third-weakest win probability perspective out of the entire calendar year. Both days have seen the S&P 500 move higher only 28.6% of the time between 1988 and 2008. For now, we'll keep a defensive posture.

Have a nice week,

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