

US STOCK MARKET DAILY REVIEW

August 20, 2008

The record high producer's inflation deepened the negative trend on Wall Street

Stocks continued their decline on Tuesday after a much higher-than-expected jump in producers inflation disturbed the market which was already hurt by worries about the financial sector.

Dow Jones Industrial Average lost about 1% for a second straight session.

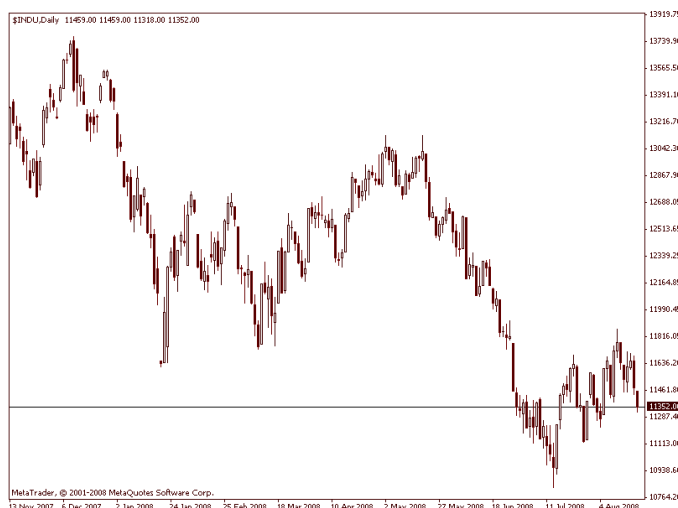
The Labor Department announced the Producer Price Index has risen to 1.2% in July, doubling the expectations, and lifting the current annual rate to 27 years high. Even after stripping out food and energy, core prices rose by a higher-than-expected 0.7%, the biggest increase since November 2006. The renewing of inflation's uptrend rose concerns about the housing market and the banking sector. The Commerce Department said July housing starts fell to an annual rate of 965 thousand units, the lowest level in more than 17 years.

Meanwhile, Lehman Brothers Holdings Inc., came under pressure after a JPMorgan Chase & Co. analyst estimated the investment bank will have to write down its investments during the third quarter by 4 billion dollars. Lehman fell 10.3% to 13.48 dollars per share.

Retail stocks also fell amid a weak outlook for consumer spending. Retailers reported mixed quarterly results, adding to investors' uncertainty about the economy. Home Depot Inc. reported a 24% decline in its second-quarter earnings but topped Wall Street's expectations. Shares dipped 2.1% to 26.39 dollars per share. Target Corp. said its second-quarter earnings fell 7.5%, but it beat forecasts despite anemic sales.

TECHNICAL OVERVIEW

The short term picture remains unchanged as Dow continued its consolidation movement breaking below 11440 levels. On the downside, supports are seen at 11220, followed by 11080 and 10 970. So far, the resistance at 11470 will limit the rise. If broken successfully, next targets will be 11680 and 11870.



Support	11 220	11 080	10 970
Resistance	11 470	11 680	11 870

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