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Coming Week: Holidays Really Are Over

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While the week ahead is laden with economic data, the results may have little shock value, with most of the negativity priced in.

But any extreme difference from Wall Street expectations, or specifics about the Obama administration's proposed stimulus package, could fuel either a rally or a selloff as the market zigzags through its sideways pattern and the recession continues to unfold.

Next week's docket includes December retail sales, which the Street expects to have declined by 1%; price indices for producers and consumers, which are estimated to have fallen 1.7% and 1% last month, respectively; and data showing industrial firms producing fewer goods and using less of their capacity.

The Mortgage Bankers Association will also release its weekly report on mortgage applications, which some investors have been watching closely. The data provide some color on whether the housing market is settling in at the trough, whether consumers are taking advantage of sharply lower mortgage rates and whether lenders have been providing access to loans.

Alan Gayle, senior investment strategist for RidgeWorth Capital Management, says there may also be some overhang from Friday's bleak employment news. The Federal Reserve's Beige Book report on Wednesday will also get "more than passing reference," he believes, because the market is hungry for news about the country's economic direction.

"Obviously there'll probably be some aftermath from what we had this week, some confirmation that retail sales in December were weak, and we'll be told that industrial production was down," says Gayle. "But that's going to all be pretty much baked in the cake."

Another element that may garner attention next week is a consumer confidence report on Thursday from the University of Michigan, says Joe Heider, president of Dawson Wealth Management.

"The consumer confidence number is an important data touch point because so much of what has occurred in this economy, whether housing, retail numbers, manufacturing, auto sales, is all about what people are buying," says Heider.

Outside of economic data, investors will be keeping an eye on news from Washington, D.C., as Congress works out details of its economic-stimulus plan. On Friday, House

Financial Services Chairman Barney Frank (D., Mass.) outlined some ideas for such a plan. President-elect Barack Obama cited the latest jobs report -- showing a climb in unemployment to 7.2% in December, as employers cut another 524,000 jobs -- as evidence that Congress must act quickly.

Earnings season has also kicked off, and while few major names are reporting next week, there are bound to be some companies providing warnings or estimate revisions. Alcoa, which reports on Monday, prefaced its earnings report by outlining a 13% workforce reduction, production cuts and other measures.

"I think everyone's going to guide," says Marian Kessler, co-portfolio manager of the Becker Value Equity Fund. "There's going to be huge guidance."

Major companies that report the week after next include Bank of America, CSX, Johnson & Johnson, UAL and General Electric.

Kessler says Alcoa's report will be particularly interesting because of the aluminum producer's heavy exposure to both commodities and consumer products. By and large, she believes this earnings season will provide "a pretty draconian look at 2009," since companies would prefer to lower production and cut their workforces early, rather than "keep nickel-and-diming all the way down."

Of course, there could be some outliers, whose better-than-expected profits or losses are enough to rally confidence.

Harry Rady, president of Rady Asset Management, is ignoring the economic data with a bullish thesis on fertilizer stocks like Monsanto and Potash for a simple reason -- the world's population is growing, with more mouths to feed, and emerging markets have been pushing for higher-quality food products.

Rady also thinks that certain sectors, like oil and gas, have been pushed down far enough that good news will benefit the sector more than bad news will send stocks lower.

"Lexus makes the best car in the world," says Rady. "But Wall Street has a tendency to get so excited that all they focus on is the quality of the car. The one question that people forget to ask is how much does a Lexus cost? I don't care how positive things are, I don't care how negative they are, unless they are undervalued or overvalued."