

RealMoney Silver - The Edge

Scott Rothbort, founder and president of LakeView Asset Management, LLC, is filling in for Doug Kass today. Email Rothbort at scott.rothbort@thestreet.com. Doug will return on Friday.

Let's Get Ready to Rumble

Scott Rothbort

4/30/08 7:35 AM EDT

If you want to make it through today, you are going to need some equipment. I would recommend procuring a flak jacket, a construction helmet, a bottle of Mylanta and a Magic 8-Ball.

Today's deliveries:

- At 8:15 a.m. EDT, we'll get the self-serving and highly inaccurate **Automatic Data Processing (ADP)** employment report. When will the markets stop reacting to this report with Pavlovian-like responses?
- At 8:30 a.m. EDT, the first-quarter 2008 GDP advance report will land. I see ranges of estimates from 0.5% to 0.7%, but the mode appears to be at 0.5%. Anything greater than the 0.5% figure should be greeted with a positive response. A number below 0.5% will be cause for a selloff, and anything below 0% could cause a dramatic slide. Along with the GDP will come the Employment Cost Index, a measure of inflation. Expectations are for 0.8%.
- At 9:45 a.m. EDT, the Chicago Purchasing Managers Index (PMI) reading will be announced. Last month, we got a reading of 48.2, and this month, the index is expected to slip to 47.5.
- At 10:30 a.m. EDT, we'll hear the crude inventories. This volatile data point could add to the recent crude oil retreat or just add more fuel for another spike higher.
- At 2:15 p.m. EDT, we'll get the **FOMC** interest rate decision. Will it be 50 basis points or 25 basis points or none at all? Will the monetary authorities hint at no further easing? Will we have any dissenters at the meeting? I would like to know what you think. Post your thoughts on Study Hall Forum on TheFinanceProfessor.com, and I will share them on The Edge.

If that is not enough, we also get earnings from **Centex (CTX)**, **Colgate-Palmolive (CL)**, **Dean Foods (DF)**, **First Solar (FSLR)**, **Garmin (GRMN)**, **General Motors (GM)**, **Hess (HES)**, **JDS Uniphase (JDSU)**, **Kellogg (K)**, **Kraft Foods (KFT)**, **Las Vegas Sands (LVS)**, **Morton's Restaurants (MRT)**, **Novo Nordisk (NVO)**, **OfficeMax (OMX)**, **Omnicore (OMTR)**, **Proctor & Gamble (PG)**, **Prudential (PRU)**, **Sanofi-Aventis (SNY)**, **SAP (SAP)**, **Sealed Air (SEE)**, **Starbucks (SBUX)**, **Sunoco (SUN)**, **Time Warner (TWX)** and **Time Warner Cable (TWC)** to name a few.

Strap on that gear and let's get ready to rumble.

Position: *Short ADP*

Wild About BWLD

Scott Rothbort

4/30/08 9:48 AM EDT

So far, the GDP advance came in at 0.6% and the **Automatic Data Processing (ADP)** report was positive 10,000. The markets received both well, and we moved from a negative opening bias to a positive one. I don't trust the ADP report as it lacks predictive credibility.

First Solar (FSLR) is looking about 6% to 7% higher after reporting its quarter.

If you manage to survive all of what we will get thrown at us today, may I suggest that you use your **Mastercard (MA)** to enjoy a nice dinner at **Buffalo Wild Wings (BWLD)**. Both of those companies delivered very nice birthday presents to me yesterday.

After the close, Buffalo Wild Wings surged after the company reported 16% year-over-year EPS growth (in line with consensus estimates), positive same store comps (4.1% at company units and 2.1% at franchised units), and

management guided to year-over-year EPS growth of 25%. That guidance implies EPS of \$1.38, which is 6 cents over current consensus estimates.

Buffalo Wild Wings had tough comps from 2007 to contend with and managed to be one of the few domestic restaurant chains to deliver positive comps in the first quarter of 2008. I was looking for the shares to hit \$30 this year and \$35 next year. I am now going to nudge that higher to \$32 in 2008 and \$38 in 2009.

Position: *Long MA and BWLD; short ADP*

Crude and Gas Inventories All Over the Map

Scott Rothbort

4/30/08 10:37 AM EDT

BBT Is Money in the Bank

Scott Rothbort

4/30/08 12:36 PM EDT

Take a look at **BB&T**

(BBT). This bank has avoided the mortgage and credit mess. BBT is a Southeast bank that has also stayed clear of Florida and Louisiana.

The company's earnings throughout the banking crisis have remained steady and solid, and it also boasts a high dividend that remains safe.

There is always an outside chance that an offshore bank with cheap dollars can make a run at it, but that is not a factor in my investment.

BBT may bore you to sleep, but that is not the worst thing, is it?

Position: *Long BBT*

Prediction

Scott Rothbort

4/30/08 2:15 PM EDT

As we approach the FOMC decision, the markets are remaining firmly in the plus column at or near the day's highs.

Here are some of the forum responses to my question about the **Fed** decision on TheFinanceProfessor.com:

1. If I were a betting man, I would have to go with 25 basis points.

Without some cut, will the stimulus package really be worth it? Granted, many will be saving the money any way you slice it.

It is important to note that the last FOMC statement made sure to make mention of "monitoring" inflation; clearly, this remains a significant concern for the Fed. Once the market begins to show some life, it is likely we will see the rate get hiked up reasonably quickly to counter inflationary concerns.

Dissension is almost certain. Richard Fisher has been against lowering rates since January (30) and Plosser sided with Fisher last meeting (March 18). I find it likely these two will lead the voting against a rate cut.

2. It will definitely be 25 with an adjusted tone toward inflation. They want to keep propping up the stock market, and wouldn't be surprised to see the futures bought heavily right after. Ironic, though, that today the 30-year mortgage went back over 6%; wasn't part of the plan in reducing rates to reduce mortgage rates. Banks are just hoarding all that cash they are getting for free and not lending it out.

No matter what happens, expect a fair amount of volatility and direction changes after the FOMC announcement. Drum roll please, Mr. Bernanke.

Random Response to Fed

Scott Rothbort

4/30/08 3:05 PM EDT

As I expected, the response to the **FOMC**

decision, which was a 25-basis-point cut with 2 dissents, is changing directions and random.

It is safe to say that the Fed is now no longer an issue for the markets to contend with as the easing cycle is at (or close to) an end.

I now return you to your regularly scheduled earnings season.

Another FOMC Day Turnaround

Scott Rothbort

4/30/08 3:44 PM EDT

It was another **FOMC** day turnaround. We have seen this before and we will again.

Clearly, SPX 1,400 has become another technical line in the sand. I like the way that the restaurant group is quietly making a move higher. Ditto for selected retail names.

Tomorrow is another day and will bring us more unexpected twists and turns. As Doug says, "The market has no memory from day to day."

I am off to speak at an ETF conference in Albany, N.Y. Tomorrow you will be in the excellent hands of Gary Dvorchak.

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