

Muted Trading Expected in Coming Week

By Lauren Tara LaCapra
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NEW YORK (TheStreet) -- The market may keep napping through the waning days of 2009, with little economic data or major events on deck in the coming week.

With the Christmas and New Year's holidays shortening the last two weeks of the year, it's a convenient time for traders and investment managers to take an extended break. As a result, the market has meandered back and forth in a relatively narrow range on much lighter-than-average volume.

"It's going to be a quiet week next week, a lot of people are out," says Andrew Neale, a portfolio manager at Fogel Neale Partners. "More of the same -- recovering from Christmas, maybe."

A few data points set to trickle out next week may provide fodder for debate, including consumer-confidence figures on Tuesday, and the weekly initial jobless claims report on Thursday. Recently, economic chatter has largely revolved around consumers: their ability to work, to spend and to pay their debts. There have been some encouraging signs of late, with improvements in personal spending during the holiday season, and reports showing that job losses have abated.

Still, Yu-Dee Chang, principal at ACE Investment Strategists, doesn't expect statistics to move the market significantly in either direction next week.

"We're not going to go in there the last week of the year and do major buying or selling," he says. "We're expecting pretty much a nonevent."

However, he notes that a history of year-end "Santa Claus" rallies provides a favorable bias. In 14 of the last 20 years, the market has driven higher during the last week of trading, rising by an average of 1.4%. Chang and his colleagues don't expect a lot of tax-loss selling, although fund managers may be doing some "window dressing" on their portfolios to show clients that they've got the stocks that have done well this year in their portfolios.

But without any major events or data to chew on, and the corridors of Wall Street sparse, there's likely to be little action in the week ahead.

"It's always that way this time of year, [but] it's more so this time because we just had the largest rebound in the history of the market," says Tommy Williams, president of Williams Financial Advisors. "I think everyone's just wrung out from the meltdown last year and all the stimulus and

government intervention that took place to save our economy, and a rebound that no one ever would have anticipated."

Drastic steps taken by the government and large banks to keep people in their homes and current on their loans have allowed consumers to improve their financial standing as well. For instance, banks like Wells Fargo(WFC Quote), JPMorgan Chase(JPM Quote) and Bank of America(BAC Quote) have worked hard to boost their mortgage modification statistics. Fannie Mae(FNM Quote), Freddie Mac(FRE Quote) and Citigroup(C Quote) recently announced that they would halt foreclosures through the holidays as well.

Still, the economic data remain fairly mixed. For instance, a report on Tuesday showed a surge in existing-home sales, while a report on Wednesday showed a plunge in new-home sales. Williams notes that although consumers are spending, they are still holding back, and will not soon return to the excess of the recent boom time. For example, he recently spoke with an owner of a high-end jewelry store in Shreveport, La., where his company is based.

"People come in and look at a \$3,000 piece of jewelry they would have bought on the first visit a couple years ago," says Williams. "They come back to look at it two, three, four times and end up buying a \$500 piece of jewelry instead. People are spending but they are holding back a lot more. There's still a lot of skepticism out there."

Of course any late-breaking deals on health care or industry M&A could help move the market as well. This past week alone, Sanofi-Aventis(SNY Quote) agreed to purchase Chatterm(CHTT Quote); Bucyrus(BUCY Quote) agreed to buy Terex's(TEX Quote) mining unit; and TreeHouse Foods(THS Quote) agreed to buy Sturm Foods. Health insurance company stocks like Cigna(CI Quote), Aetna(ATE Quote) and Humana(HUM Quote) have also been helped by Congress' steps toward clearing health care legislation. Analyst upgrades and bullish quarterly reports have helped lift various sectors of late as well.

But as for next week, when asked what would be on his mind going into Monday's session, Williams replied simply: "New Year's Eve."

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