

# SISR Strategic International Securities Research Inc.

An Independent Research Firm



## Economics & Financial Markets

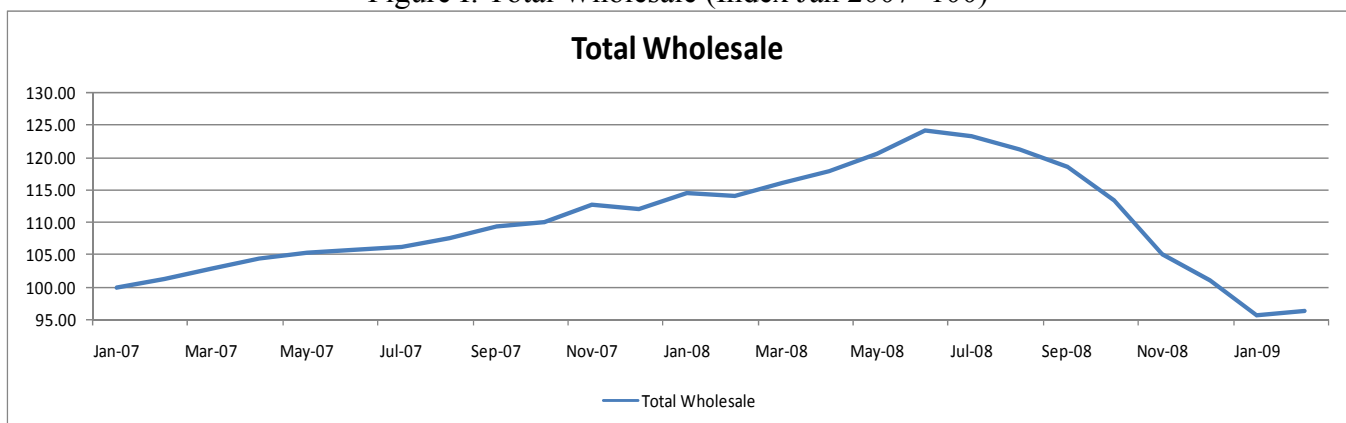
Philip L. Miller – 646-415-9141  
Chief Strategist  
[pmiller@sisresearch.com](mailto:pmiller@sisresearch.com)  
[www.sisresearch.com](http://www.sisresearch.com)

### United States Wholesale Sales

April 8, 2009

Wholesale Trade Up 0.6% M/M with Durable up 2.0% M/M: Much Stronger than Expected for both Durables and Nondurables

Figure I: Total Wholesale (Index Jan 2007=100)



Source: Department of Commerce: SISR

### Key Points

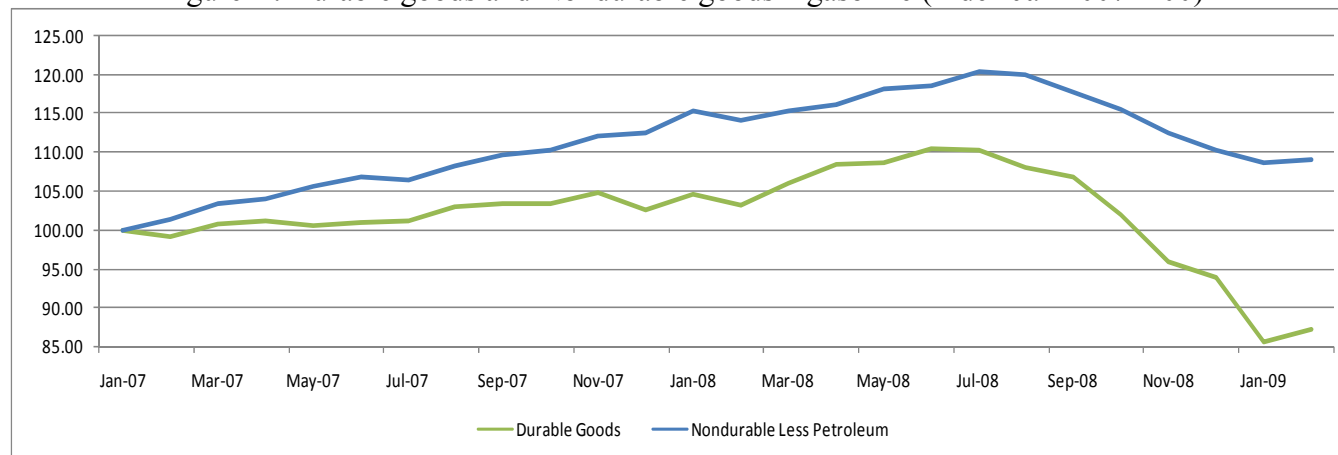
- February sales of merchant wholesalers were up 0.6% after being down 2.4% and 3.7% in December and 7.1% in November. This was the first uptick since June of 2008. Consensus was for a decline of 0.7%.
- Durables were also up for the first time similarly since June of 2008 by 2.0% after being down 6.2% in January 2.2% in December and 6.0% in November. This increase was a real surprise.
- Nondurables were down 0.4% in February but up 0.2 x Petroleum, after being up 0.9% in Jan.
- The largest decliners were metals for the second month in a row down 5.6% after being down 14.9% in January, and chemicals down 4.6% and petroleum down 3.7% in January.
- The largest gainers surprisingly were autos up 3.7%, machinery, 3.7%, apparel up 3.2%, and construction materials up 2.9%.

## Implications

This was by far the best wholesale report since June and a real surprise with consensus believing that this report would be down 0.7% and not up 0.6%, and especially that durables would be up across the board and up 2.0% m/m.

The declining price of gasoline has been helping the nondurable sector over the past several months but this month durables were just as strong as non durables x gasoline.

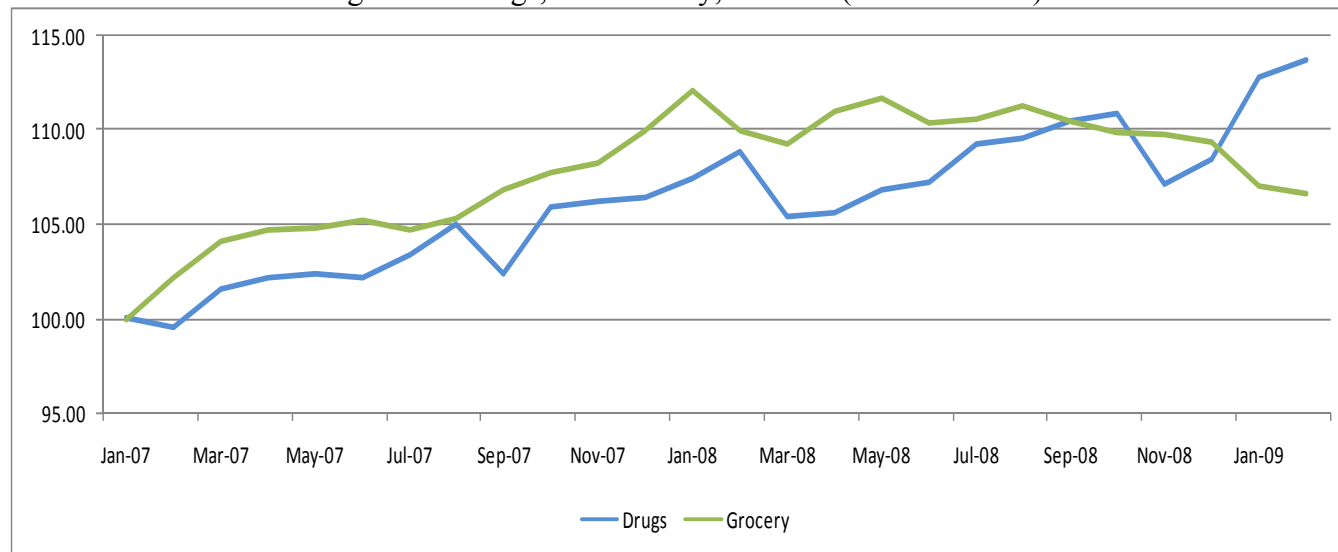
Figure II: Durable goods and Nondurable goods x gasoline (Index Jan 2007=100)



Source: Department of Commerce: SISR

Drugs and Groceries have been stable throughout the recession, which is what we would expect given that they are staples and not discretionary expenditures. This month Drugs continued to be positive while groceries were down slightly.

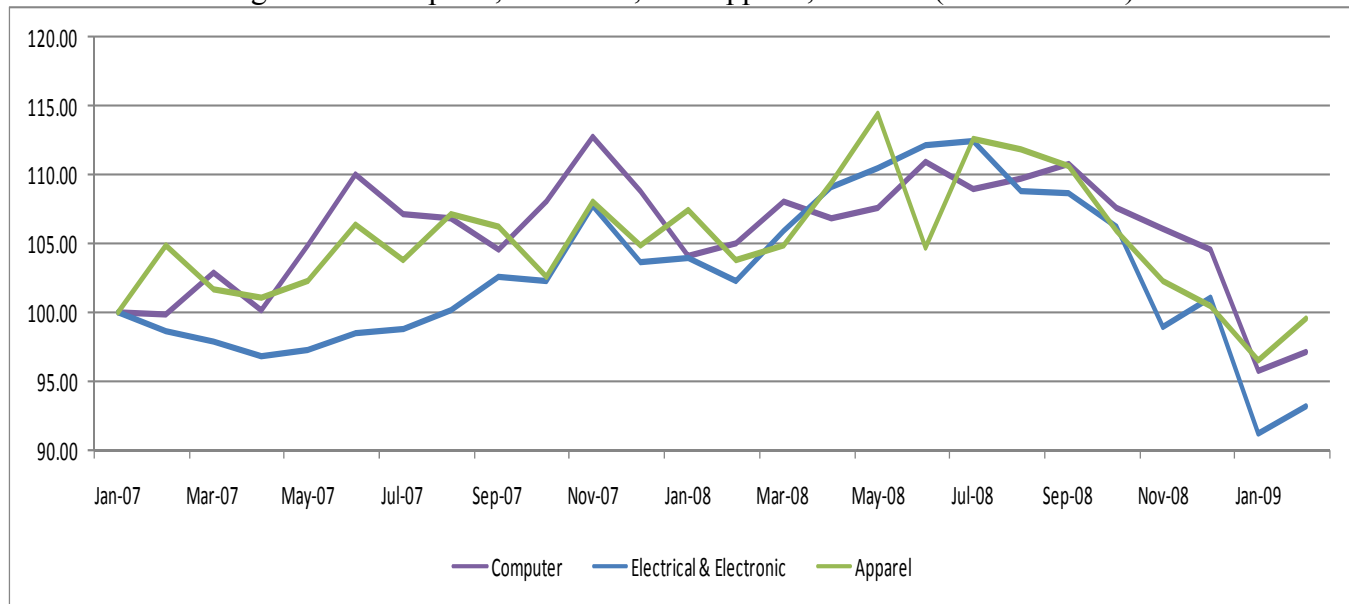
Figure III: Drugs, and Grocery, Indexed (Jan 2007=100)



Source: Department of Commerce: SISR

Apparel, computer and electrical, however, also had a good month as seen in Figure IV, with some surprising strength after being almost straight down since July.

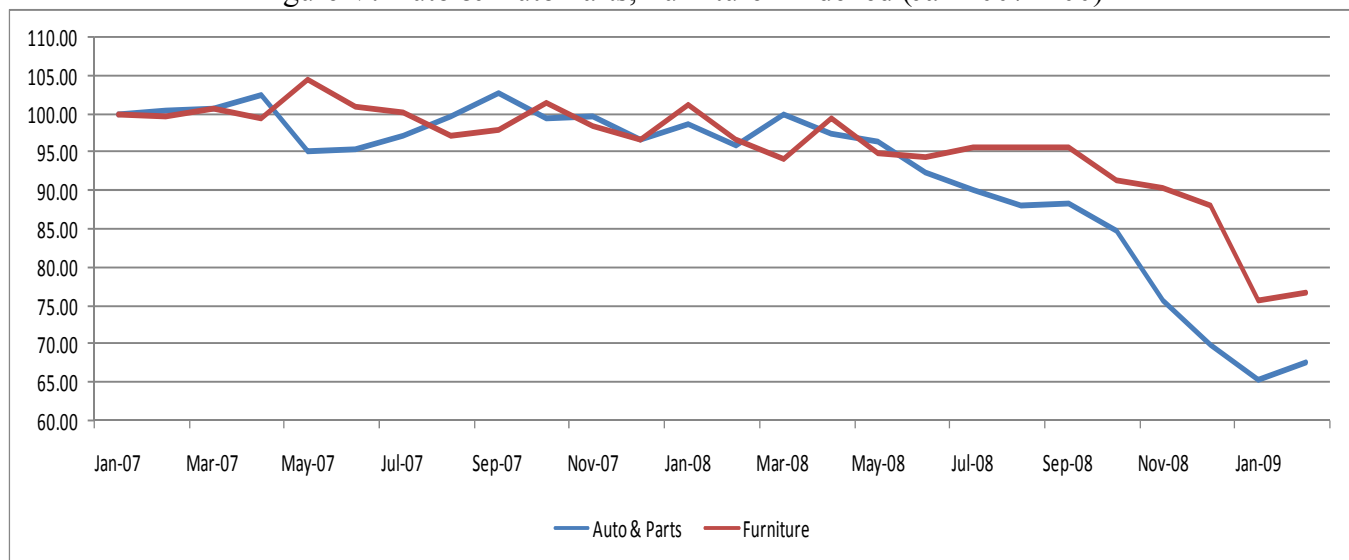
Figure IV: Computer, Electrical, and Apparel, Indexed (Jan 2007=100)



Source: Department of Commerce: SISR

Even the durables were strong this past month with large ticket items, like Autos and Furniture which have been in serious decline since the beginning of the recession were positive this month.

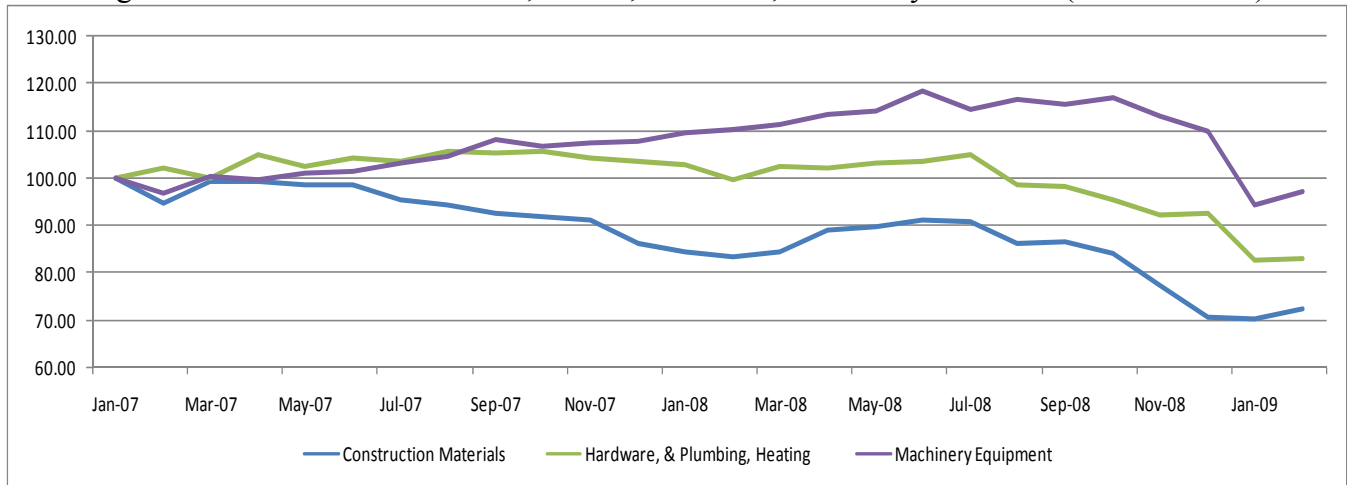
Figure V: Auto & Auto Parts, Furniture - Indexed (Jan 2007=100)



Source: Department of Commerce: SISR

The same can be said for construction materials, metals and hardware & plumbing which have struggled throughout the recession (Figure VI), also all being up this month.

Figure VI: Construction Materials, Metals, Hardware, Machinery - Indexed (Jan 2007=100)



Source: Department of Commerce: SISR

## Conclusion

This was the most positive report with sector after sector being positive for the first time since June of 2008, just prior to the escalated of the recession. We are not sure what to make of this except to accept these results and move forward, hoping that we are correct with our assessment of the recovery coming sooner than later. This may have been the strongest single report since the recession began. It is much too early to make much of the other positive data except to say let us wait and see if this holds up through the revision process.

**Certification:**

I, Philip L. Miller (or any research analysts at SISR Inc.) certify/certifies that the views expressed in this report accurately reflect my personal views about the subject companies and securities. In addition no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

**Recommendation Scale:****Stock Rating:**

1 – Recommended List – The stock has our highest recommendation and is expected to outperform the average equal weighted expected total return of the overall Market irrespective of sector. Our investment horizon is 12 – 18 months except as specified by the reporting analyst.

2 – Overweight – The stock is expected to outperform the equal weighted expected total return of the sector coverage. Our investment horizon is 12 – 18 months except as specified by the reporting analyst.

3 – Neutral – The stock is expected to perform in line with the equal weighted expected total return of the sector coverage. Our investment horizon is 12 -18 months except as specified by the reporting analyst.

4 – Underweight – The stock is expected to under-perform the equal weighted expected total return of the sector coverage. Our investment horizon is 12 -18 months except as specified by the reporting analyst.

5 – Rating Suspended – The rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when SISR Inc. is acting in an advisory capacity in a merger or strategic transaction involving the company.

**Sector Ratings:**

1 - Recommended Sector – The sector has the highest recommendation with continued improving valuations and rapid growth.

2 – Positive – The sector fundamentals and valuations are improving with a positive second derivative.

3 – Neutral – The sector fundamentals and valuations are flat with the second derivative close to zero or with a neutral slope.

4. Negative – The sector fundamentals and valuations are negative with a negative second derivative.

5 – Rating Suspended – The rating and sector targets have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when SISR Inc. is acting in an advisory capacity in a merger or strategic transaction involving the company.

**Price Chart:**

A price chart, with changes of ratings and price targets in prior periods, is included above, for all securities covered in this report.

**Additional Disclosures:**

This report is for information purposes only and should not be construed as a solicitation or an offer to buy the securities or other instruments mentioned in the report. This report may not be reproduced in any manner, without the written permission of SISR Inc.

This research report is based on current public information, with the possible exception of disclosures relating to SISR Inc., that SISR Inc. deems to be reliable and as accurate as reasonably possible. SISR Inc., however, makes no claim to the accuracy and completeness of this reports, and this report should not be relied on as such, or as a statement of factual content.

This research report is prepared for general information purposes only. In addition this information does not consider the specific investment objectives, financial situation and particular needs of any individual, or institution. Investors and/or institution should seek financial advice and or internal due diligence for institutional investors, as to the appropriateness of investing in any securities or investment strategies mentioned or recommended.

Analyst as Officer or Director: No analyst will serve as an Officer or Director. SISR Inc. prohibits its analysts, persons reporting to analysts or members of their households from serving as an officer, director, advisory board member or employee of any company in the analyst's area of coverage.

Ownership and Material Conflicts of Interests: SISR Inc. permits ownership of the recommended securities subject to all the NASD rules regarding the ownership of securities by analysts. Since our analysis is economic in origin and subsector driven we expect all analysts to cover the universe of all stocks and as a consequence limiting the analyst or the firm to ownership of the underlying securities would in essence require these entities to refrain from investing in the equity market.

Analyst Compensation: Analysts are paid in part based on the profitability of SISR Inc., some of which may include investment banking and consulting revenues.

Disclosures are required in the United States for any of the following:

1. acting as a financial advisor,
2. manager or co-,manager in a pending transaction
3. 1% or other ownership, long or short
4. compensation for certain services
5. types of client relationships
6. managed/co managed public offerings in prior periods
7. directorships
8. market making and/or specialist role.

These disclosures are included in the company-specific disclosures above for any of the above disclosures that are required.