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Jobs Report in Focus in Coming Week

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NEW YORK (TheStreet) -- The quiet pullback in U.S. equities this past week isn't bothering market participants or analysts. As long as no negative news comes out of Europe, the thinking goes, all will be well in the U.S.

Analysts not only view the current weakness in stocks as temporary, but they're calling it a buying opportunity.

Mark Arbeter, technical strategist with S&P Capital IQ has an especially bullish view. "With the help of **Apple's**(AAPL) blowout quarter, the **NASDAQ 100** rallied to its highest level since February 2001," he writes.

"In the process, the NASDAQ 100 is breaking out of a year-long consolidation, and based on the depth of this base, we could see a measured move up above 2,800, or about 14% above current prices," he continues. "Taking a look at the top 10 NASDAQ 100 stocks, which represent about 55% of the index, we see generally constructive chart patterns that suggest to us higher prices in the months ahead."

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Historical data from Birinyi Associates also support an eventual move to the upside: "Over the past 78 trading days, the **S&P** has rallied 20.63%. Since 1945 this has occurred 15 other times or on average once every 4 years ... the average performance over the next six months is +6.96% with the market losing ground in only two of the previous 15 instances," writes analyst Jeffrey Yala Rubin in a research note.

One thing that could inject some excitement into the market is an IPO filing from **Facebook**. *The Wall Street Journal* reported this past week that the popular social networking company may file its IPO documents on Wednesday.

Despite the general bullishness, investors remain on the lookout for surprises, however. The sudden volatility that that drove the S&P 500 into bear market territory in early October is still a recent memory. Headlines about debt negotiations between Greece and its creditors still appear each day, reminding everyone the situation in Europe remains fragile.

Private creditors and Greek officials are still trying to negotiate a deal in which the investors would exchange their old government bonds for new ones yielding around 3.7% to 3.8%, according to *The Wall Street Journal*, whose anonymous source says that "some process was realized," although nothing final has been agreed upon. If a deal is reached over the weekend, eurozone governments may hold a special meeting on Monday.

For markets, that means that the trading week may open up with slightly more volatility than seen in recent days. European Union leaders plan to hold a summit in Brussels. Greece's second bailout with surely be on the table of discussion. And both Italy and France will be holding bond auctions. Eurozone confidence indexes for January could also rock the boat a bit on Monday.

But the centerpiece next week is the monthly jobs report from the U.S. government, a key test of buying conviction in the markets.

"We're skewed to the positive when it comes to jobs expectations," said Anthony Lazzara, partner with proprietary trading group M&N trading. "We may see a pullback early in the week then go back to rallying later in the week."

The government's January jobs report is expected to show that companies added 180,000 jobs, according to analysts polled by *Thomson Reuters*. Accounting for cutbacks in the government, total payrolls are forecast at 158,000 for the month. The figures are expected to be weaker than they were in December, which saw 200,000 new jobs created, of which 212,000 were in the private sector. Meanwhile, the unemployment rate probably remained at 8.5%.

Before the government's release investors will be looking to the employment index from payroll processing firm **Automatic Data Processing**(ADP) for cues on Thursday.

The market also awaits two key reports on manufacturing.

The Chicago purchasing managers index, due out at 9:45 a.m. EST Tuesday, is expected to edge up to 63 in January from 62.5 in the prior month.

A nationwide manufacturing survey by the Institute for Supply Management is slated for release the next day at 10 a.m. EST. The survey's index is expected to rise to 54.9 in January from 53.9 in December.

Also on Wednesday morning's docket is construction spending, which likely rose by 0.5%, adding to a 1.2% rise in the prior month.

Friday will bring a reading on factory orders, which probably increased by 1.5% in January following a 1.8% gain in December.

With just two trading days left in January, the **Dow** is up 3.6%, the S&P 500 is up 4.7%, and the Nasdaq is up 6%. The **Federal Reserve's** announcement that it will leave the target interest rate near zero until late 2014 gave stocks a bit off steam, but they were cooling off again by Friday when the government released lackluster growth numbers for the economy in the fourth quarter. Economists were expecting better-than-2.8% growth given that manufacturing, including inventory numbers, have been growing.

"Our economy is expanding almost glacially slowly," said Randy Warren, chief investment officer of Warren Financial Services.

"But, the market had been held back by all the bad news ... just removing some of that cloud allows the market to rise." Warren also noted that the S&P index is trading far below its 50-year average price-to-earnings ratio.

Although stocks have taken a breather in recent trading days, some analysts say that a real pullback is yet to come. Sharp 20% rallies in fourth months, while often followed by more gains over the next half year to one year, are often interrupted by a three-month pause, notes JP Morgan strategist Thomas Lee.

More earnings reports are due out in the coming week, including **BNC Bancorp**(BNCN), **Amazon.com**(AMZN), **Eli Lilly and Co.**(LLY), **Exxon Mobil**(XOM), **Pfizer**(PFE), **Seagate Technology**(STX), **Allstate Corp.**(ALL), **The Hersey Company**(HSY), **MasterCard**(MA) and **Estee Lauder**(EL).

-- Written by Chao Deng in New York.

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