

INVESTOR'S BUSINESS DAILY

ObamaCare Backlash Leave it to Missouri to remind Congress of its limited powers ISSUES & INSIGHTS A10-11	FDR's Connection The 32nd president's conviction came through in his speeches LEADERS & SUCCESS A4	A Tech Report Card Gadgets should see a 5% jump in sales as kids return to school INTERNET & TECHNOLOGY A5	HMS Looks Healthy The stars align for the firm that tracks insurance errors THE NEW AMERICA A6	High-Income ETFs From preferred stock to MLPs, many are yielding north of 5% MUTUAL FUNDS & ETFs A7-9	A Bullish Chart For F5 The maker of cloud technology forms a short-stroke pattern DAILY STOCK ANALYSIS B5
--	---	---	---	--	--

IBD'S TOP 10

Data: Hiring, Service Activity Up

1 Companies added 42,000 workers in July, according to the ADP employment report, slightly above views and better than June's gain. The ISM service sector index also pointed to slightly faster growth, topping forecasts. Recent reports have turned more upbeat after gloomy news in the first 3 weeks of July. But the July jobs report looms Fri. **More on this page, A2**

Stocks Rise On Economic Data

2 Stronger-than-expected jobs and services data lifted markets. Priceline's ^{PCLN} 22% surge powered the Nasdaq to a 0.9% gain in above-average trade. The S&P 500 rose 0.6%, the NYSE composite 0.5% and the Dow 0.4%, but in lighter volume. Several leisure groups did well. Treasury yields and the dollar rose, while gold topped \$1,200 an ounce intraday. **More on this page**

Judge Nixes Gay Marriage Ban

3 A federal judge overturned Calif.'s same-sex marriage ban in a landmark case that could eventually reach the Supreme Court to decide if gays have a constitutional right to marry. U.S. District Judge Vaughn Walker said the ban, narrowly passed by voters in '08, violates the Constitution's due process and equal protection clauses. But he may suspend his order while the ruling is appealed.

Saudi Arabia Bans BlackBerry

4 Saudi Arabia will ban BlackBerry services Fri., following the United Arab Emirates' decision to shut down e-mail, messaging and Web browsing on Research In Motion's ^{RIMM} smart phones in Oct. Both nations object to how RIM stores customer data. Indonesia says it's mulling a ban. RIM shares fell nearly 4%. They're down 7% this week.

'Static Kill' Seems To Be Working

5 ^{BP} says mud pumped down the busted Gulf well is pushing oil back to its source, a sign that the "static kill" is working. Cement may be pumped next. According to the gov't, 74% of the oil that escaped into the Gulf has evaporated, dispersed, been captured or burned off. Some 26% is still in the water or onshore. BP fell 1.5%.

Aid To State Gov'ts Clears Hurdle

6 The Senate voted 61-38 for \$26 bil to help ease state budget woes and layoffs, after final tweaks spurred Maine's moderate GOP senators to join Dems. Most Republicans said the bill, which hikes taxes on multinational firms, is a sop to public employee unions and makes state gov'ts more dependent on D.C. A final Senate vote will come this week, with a House OK soon after.

Petraeus Refines Afghan Rules

7 The top U.S. and NATO commander in Afghanistan refined guidelines on the use of force, saying troops aren't barred from using airstrikes and artillery to defend themselves. But Gen. David Petraeus largely backed his predecessor's policy of protecting the lives of Afghan civilians, reiterating that their deaths hurt the war effort.

Goldman May Divest Trading Unit

8 The investment bank is reportedly mulling a spinoff of at least part of its proprietary trading business as soon as this month to comply with the financial reform's "Volcker rule." Another possibility is to move it to Goldman Sachs' ^{GS} asset management unit, which invests clients' money instead of its own, CNBC reported. Shares rose 2%.

Intel Settles FTC Antitrust Suit

9 The chip giant settled with the Federal Trade Commission to resolve charges that the company unfairly used its market position to stifle competition over a decade. The settlement would bar Intel's ^{INTC} from having exclusive purchasing agreements with PC makers such as Dell's ^{DELL}. It also requires Intel to modify intellectual property deals with AMD's ^{AMD} and other chipmakers.

Toyota Turns Profit; Ford Hiring

10 The world's No. 1 automaker swung to a Q1 net profit of \$2.2 bil from a year-earlier loss. Toyota's TM sales jumped 27% to \$56 bil. Despite a strong yen, Toyota raised its full-year operating profit outlook. Ford ^F plans to hire back nearly 2,000 union jobs to its U.S. plants by 2012, exceeding its UAW deal by more than 25%. Toyota and Ford shares both rose about 2%.



GAY-MARRIAGESUPPORTERS celebrate in San Francisco after a federal judge overturned California's same-sex marriage ban on Wednesday. U.S. District Court Chief Judge Vaughn Walker ordered the voter-approved ban immediately lifted to allow gay and lesbian couples to marry while the case moves to a higher court. **AP**

Web TV Services, Content Swell

Will 'over the top' TV kill cable? Analysts are wrestling over the issue

BY PATRICK SEITZ
INVESTOR'S BUSINESS DAILY

With its streaming video service, Netflix is changing the viewing habits of millions of Americans. And its success could signal a major shift in the pay TV business. Netflix's ^{NFLX} instant viewing service is the first mainstream success for "over-the-top TV," an industry buzzword for video delivered over broadband Internet connections. OTT TV bypasses traditional pay TV services to provide more viewing options for consumers.

The question facing cable, satellite and telecom TV providers is whether over-the-top TV will supplement or replace their services.

The over-the-top TV trend could lead to a second wave of cord-cutting. In the first wave, many have dropped their landlines and rely exclusively on their cell phones.

Over-the-top TV is "definitely catching on," Vittore said. The category includes subscription services like Netflix and Hulu Plus; pay-per-view films from Amazon's ^{AMZN} Video on Demand, Apple's ^{APL} iTunes and Best Buy's ^{BBY} CinemaNow; and free video across the Web, including standard Hulu.

Consumers can get over-the-top programming to their TVs via dedicated set-top boxes, but increasingly via Internet-connected TVs, Blu-ray Disc players and game consoles.

One in eight cable and satellite TV subscribers planned to end or reduce service this year in favor of alternatives like over-the-top TV, a Yankee Group survey in April found. For some, that means replacing premium channels like HBO with Netflix streaming or pay-per-view.

It's still early, but television services over broadband threaten to upend cable, satellite and telecom TV business models over the long haul.

George Hines, who writes CuttingTheBills.com, dumped cable TV in favor of over-the-air broadcast TV and over-the-top TV. He also replaced his landline phone with an Internet phone service. His monthly bill dropped to \$42 from \$165, he says.

As cable TV bills rise, more consumers are looking for alternatives, Hines says.

Roku, which sells low-cost set-

top boxes (starting at \$69) for streaming video to TV sets, is seeing the shift. About 30% of its customers cut back or cancel their cable service, says CEO Anthony Wood. Roku has sold nearly 1 million boxes since its May 2008 launch.

Content Rushes In

Roku now has 45 channels of content and expects to have 200 by year-end. Netflix is its most popular channel, followed by Pandora, Amazon VOD, Major League Baseball and Roku Newscaster, an aggregation of news podcasts.

"We're seeing content providers increasingly willing to offer their content over the top," Wood said in an interview. "There are lots of (content) companies that maybe a year ago would say, 'Nah, we're not going to do anything. We don't want to upset our cable customers.' And now they're telling us about plans to launch (over-the-top) services equivalent to cable services over the next year or so."

For over-the-top TV to break through to the mainstream, it has to be easier to set up and find content online, Hines says.

Google's ^{GOOG} Google TV venture is a bid to do just that.

"Google itself is a game-changer," said Phil Leigh, an analyst at Inside Digital Media. "The way (online video) will get discovered will be increasingly through search engines."

Google TV will be built into Sony's ^{SNE} TVs and Blu-ray players and a dedicated set-top box from Logitech's ^{LOGI} this fall.

Cut Cord — Or Add Another?

Some analysts think subscription over-the-top TV services like Netflix will become the norm, letting consumers choose from thousands of movies and TV shows to watch instantly. Ultimately this could lead to a wave of cord-cutting as consumers cancel traditional pay TV in favor of broadband and OTT TV.

Pay TV still controls many sports and news channels and other content that isn't streamed. So some analysts think OTT TV will just top off traditional services.

Over-the-top TV is poised to grow, as the millennial generation increasingly sets the tone for TV viewing. Many young people who grew up with the Internet get a lot of video online and don't see the need to pay \$75 or more a month for cable, satellite or telecom TV.

"For the kids just coming out of college now, it's not a given any more that they subscribe to cable service when they rent their first apartment," said Vince Vittore, an analyst at the Yankee Group. "The broadband connection is the most important service to them, not cable or satellite TV."

Content Rushes In

Roku now has 45 channels of content and expects to have 200 by year-end. Netflix is its most popular channel, followed by Pandora, Amazon VOD, Major League Baseball and Roku Newscaster, an aggregation of news podcasts.

"We're seeing content providers increasingly willing to offer their content over the top," Wood said in an interview. "There are lots of (content) companies that maybe a year ago would say, 'Nah, we're not going to do anything. We don't want to upset our cable customers.' And now they're telling us about plans to launch (over-the-top) services equivalent to cable services over the next year or so."

For over-the-top TV to break through to the mainstream, it has to be easier to set up and find content online, Hines says.

Google's ^{GOOG} Google TV venture is a bid to do just that.

"Google itself is a game-changer," said Phil Leigh, an analyst at Inside Digital Media. "The way (online video) will get discovered will be increasingly through search engines."

Google TV will be built into Sony's ^{SNE} TVs and Blu-ray players and a dedicated set-top box from Logitech's ^{LOGI} this fall.

Economic Reports Shift From Gloom To Improving Trend

Hiring, Services Activity Up

Recent figures top views; Europe, BP fears fading, but Fri. jobs report key

BY SCOTT STODDARD
INVESTOR'S BUSINESS DAILY

Private hiring and service-sector activity picked up in July and topped forecasts, as Wednesday's reports continued the recent shift toward more upbeat economic news.

The Institute for Supply Management's services index unexpectedly rose 0.5 point to 54.3, defying forecasts for a decline to 53. Readings above 50 indicate expansion.

Also, ADP said private jobs rose by 42,000 last month, the sixth straight gain and above estimates.

August reports have generally offered relief from an almost unbroken chain of weaker-than-expected data released in June and July that raised concerns that the U.S. could slip back into recession.

On Monday, ISM's manufacturing index and pending home sales fell, but not as much as feared.

"These are not robust numbers but they are beating expectations, and that's a change from the soft patch of data that we saw during the second quarter," said Robert Dye, a PNC Financial economist.

He added that Q3 could be a mirror image of Q2, which started strong and then faded as the government ended support for the housing market and began cutting temporary census workers.

"My expectation is that we'll see more data points beating expectations in the current quarter and we'll start to see stronger growth in the fourth quarter," Dye said.

Friday's nonfarm payroll report is expected to show that employers shed 82,500 jobs in July as continued census layoffs overshadowed modest private hiring.

Thursday's July sales reports from retailers also will be key, given sluggish consumer spending data and corporate news.

Stocks have rallied in recent weeks as corporate earnings generally beat forecasts, European debt fears faded and the U.S. economy showed signs of stabilizing. BP's ^{BP} success in plugging the Gulf well may also be lifting sentiment.

On Wednesday, the Dow rose

0.4%, the S&P 500 0.6% and the Nasdaq 0.9%.

"We still have problems," said Dana Johnson, chief economist at Comerica Bank, noting tight credit and a struggling housing market. However, "I think we are seeing the beginnings of what is likely to be a gradual re-acceleration."

Federal Reserve chief Ben Bernanke predicted Monday that consumer and business spending will buoy growth, but he cautioned

	Period	Trend
1-Jul	ISM mfg. index	June Growth slows
	Pending homes	May Falling
	Construction	June Falling
2-Jul	Nonfarm jobs	June Rising
	Retailers' sales	June Falling
6-Jul	ISM services	June Growth slows
14-Jul	Retail sales	June Falling
15-Jul	Industrial output	June Rising
	Philly Fed mfg.	July Growth slows
	N.Y. Empire mfg.	July Growth slows
20-Jul	Housing starts	June Falling
22-Jul	Existing homes	June Falling
26-Jul	New homes	June Rising
27-Jul	Cons. confidence	July Falling
28-Jul	Durable goods	June Falling
30-Jul	GDP	Q2 Growth slows
	Chicago mfg.	July Growth slows
2-Aug	ISM mfg. index	July Growth slows
	Construction	June Rising
3-Aug	Cons. spending	June Flat
	Pers. income	June Flat
	Pending homes	June Falling
	U.S. auto sales	July Rising
4-Aug	ISM services	July Faster grwth
	ADP private jobs	July Faster grwth

Sources: IBD, DataStream

that the economy has a "considerable way to go" for a full recovery.

Continued modest growth like Q2's 2.4% annualized pace would not be enough to keep unemployment from rising.

With that in mind, Bernanke and other Fed officials have signaled a willingness to turn the monetary spigot back on. Policymakers may agree at Tuesday's meeting to buy more mortgage securities or Treasuries to support the economy, analysts said.

"The employment report on Friday could have a strong bearing on whether the Fed is happy to hold things where they are or whether they resume asset purchases," said Johnson, a former Fed economist.

THE BIG PICTURE

Nasdaq, Small Caps Pace Rally On Mixed Turnover

BY DAVID SAITO-CHUNG
INVESTOR'S BUSINESS DAILY

Stocks recouped prior-day losses to end with decent gains Wednesday. Positive economic data and more earnings surprises inspired a broad rally. Volume was mixed.

The Nasdaq composite gyrated in the first hour, then trotted an upward path much of the rest of the trading day and into the close. It ended up almost 0.9% in slightly higher trade, eclipsing Tuesday's 0.5% retreat.

The S&P 500 rose 0.6% in slower, below-average NYSE trade. The Dow gained 0.4%.

The market's overall lack of volume over the past several weeks has put some investors on edge, but the overall price action remains positive. Take a look at the Nasdaq's high-low-close price bars at the top of Page B2. Since July 19, every up session shows the index finishing at or near its session highs. This suggests the big-money traders are, at least for

MARKET PULSE

Wednesday's action:
Nasdaq, small caps lead broad gains; mixed trade

Current outlook:
Market in confirmed uptrend

Distribution days:
2 for the Nasdaq, 1 each for the S&P 500 and the Dow since July 7 follow-through

Leaders up in volume:
Priceline ^{PCLN} OpenTable ^{OPEN} Herbalife ^{HLF} Jinko Solar ^{JKS}

Leaders down in volume:
DG FastChannel ^{DGFT} Companhia Brasileira ^{CBD} Industrial Services ^{ISA}

the market followed through, there were four such 2%-plus sessions, all but one on the upside.

Meanwhile, the presence of strong breakouts — particularly among quality stocks — gave Wednesday's session added luster. A stock that immediately makes you money after buying it is the ultimate confidence-booster.

Priceline.com ^{PCLN} flashed some of the brilliance it showed in recent years on Wednesday, gapping up 22% as it broke out of a cup with handle in nearly five times normal trade. It helped spur the IBD 100's 1.9% gain. Cognizant Technology ^{CTSH}, which beat earnings estimates on Tuesday, added to its 19% rally on Tuesday.

Priceline and Cognizant are prime examples of the type of market leaders you want to see flourish. Both of these industry leaders boast quarter after quarter of superior profit growth. Cognizant's Q2 sales passed \$1 billion. The IT giant had 399 mutual fund owners as of June 30. The number of

Priceline's mutual fund holders slipped the past two quarters, but its Accumulation/Distribution Rating before Wednesday was a positive B.

The NYSE composite gained 0.5%, beaten by the Russell 2000's 1% climb. Year-to-date, the small-cap-heavy Russell is up 6% while the NYSE is flat.

The Russell's outperformance doesn't necessarily mean it's an easier ride with small caps. Buying a stock that features frenetic swings prior to the breakout is like going on a virtual amusement park ride. Case in point: DG FastChannel ^{DGFT}, which gapped up 6% minutes after Wednesday's open only to fall nearly 6% by the close. Its 206% leap in Q2 profit was wonderful, but the stock's erratic breakout attempt leaves its outlook uncertain.

■ MORE COVERAGE ON B2
■ INTRADAY MARKET UPDATES
AVAILABLE TEN TIMES A DAY
AT INVESTORS.COM/MARKETS

Amex Tables	B9	Investor's Corner	B1
Big Picture	A1	Issues & Insights	A10
Commodity Futures	B10	Leaders & Success	A4
Company Index	A2	Low Price Stocks	B9
Composite Stock	B1	Mutual Funds	A7
Credit Market	B11	New America	A6
Daily Stock Analysis	B5	New Highs & Lows	B12
Dividends News	B11	New Issues	A6
Earnings News	B12	Option Tables	B3
Economic News	A2	REITs	B9
Editorials	A10	Research Tables	B3
Exchange Traded Funds	A9	Stocks In The News	B4
General Market	B2	Supply/Demand Cos.	B9
Industry Groups	B2	To The Point	A2
Internet & Technology	A5	World News Briefs	A2
		World Stocks	B6

