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What to watch

If retail sales ring up gains, so can stocks

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If retailers ring up bigger-than-expected August sales gains, it could propel the stock market back up to the high end of its recent trading range, giving it a shot at breaking out to new highs and beyond 2000 for the S&P 500, a Wall Street strategist says.

After a flat reading in July, Wall Street is forecasting retail sales to jump 0.6% in August from the prior month, with sales expected to be up just 0.8% if you back out auto sales, which hit an eight-year high last month.

That's more than doable, says JJ Kinahan, chief strategist at TD Ameritrade.

"Retail sales could come in better than expected," he says.

Kinahan's optimism is derived by the robust vehicle sales, as well as signs that better jobs, what he dubs "career jobs," in sectors such as health care and construction, are being created despite a less-than-stellar August employment report.

"In the near term, retail sales are by far the most important thing for market participants to watch," says Kinahan.

While a retail sales "beat" may not be *the* catalyst that triggers an upside breakout for the Standard & Poor's 500 index beyond its recent 1900 to 2010 trading range, it could be enough to push the market back up near its record. It also puts the stock index in position to break out next week if Wall Street gets an investor-friendly message on interest rates from the Federal Reserve. "We need to break (free) and above the 2000 level," Kinahan says. Thursday's S&P close: 1997.45.