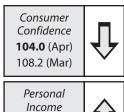


TALKING POINTS

A Recap of April 2007

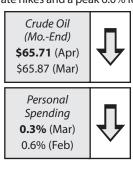
The Economy

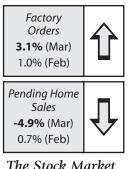
The top story for April was the huge inflow of tax revenue reported by the U.S. Treasury Department. Brian Wesbury, Chief Economist at First Trust Advisors (FTA), and Robert Stein, Senior Economist at FTA, authored a piece explaining how this windfall will assist in lowering the budget deficit in the 2007 fiscal year, and beyond. They estimated that federal tax receipts will total around \$390 billion in April, which, if correct, would be the largest tax revenue haul for any month in American history, eclipsing the previous high by 18%. We still expect the next move by the Fed to be a rate hike, but we have pushed our forecast back by six months. Rather than a 5.5% federal funds rate by mid-year, we now expect the first rate hike to occur in the fourth quarter, followed by two more rate hikes and a peak 6.0% federal funds rate in the first half of 2008. We believe the S&P 500 is still 25%-30% undervalued.

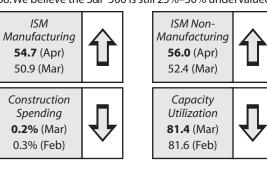


0.7% (Mar)

0.6% (Feb)







The Stock Market

The three major indices were all up big in April with the DJIA, S&P 500 and Nasdag Composite returning 5.9%, 4.4% and 4.3%, respectively. Small-cap stocks, as measured by the Russell 2000 Index, gained 1.8%. Some of the top performing S&P 500 industry groups in April were as follows: Health Care Facilities (+17.6%); Health Care Supplies (+15.0%); Coal & Consumable Fuels (+14.3%); Health Care Distributors (+14.1%); Semiconductors (+10.4%); Construction & Farm Machinery (+9.0%); and Consumer Finance (+8.6%). The top performing S&P sector was Health Care (+7.2%). In April, the dividend-payers (387) in the S&P 500 (equal weight) posted a total return of 4.18%, vs. 4.32% for the non-payers (113), according to Standard & Poor's, Year-to-date through April, the payers gained 6.95%, vs. 7.43% for the non-payers. For the 12-month period ended April 2007, payers gained 16.87%, vs. 11.56% for the non-payers. The number of dividend increases (S&P 500) year-to-date totaled 128, lagging the 137 and 142 increases registered over the same period in 2006 and 2005. The dividend yield on the S&P 500 was 1.84% at the end of April. Last month, we mentioned that portfolio managers polled by Russell said that they are currently most bullish on the following areas of the market: large-cap growth; foreign equities in developed markets; mid-cap growth; health care; and technology. As illustrated by the major index returns referenced above, large-cap stocks posted a significantly better month than did small-caps. Though not yet a trend, it is something worth keeping an eye on. Health Care, as it turned out, was the top performing major sector. In Q1'07, the total value of announced M&A deals was \$1.13 trillion worldwide – the first time that M&A activity surpassed \$1 trillion in a quarter, according to Dealogic.





AAII Sentiment Index 39.2% Bullish (4/30) 42.7% Bullish (3/30)



Short Interest (NYSE) Apr: 10.99B (+4.7%) Mar: 10.50B (+9.4%)



Margin Debt (NYSE) Mar: \$293.2B (-0.9%) Feb: \$295.9B (+3.6%) Margin debt record = \$295.9B



The Bond Market

Index (Source: Lehman Bros.) The yield on the 10-Yr.T-Note fell 2 basis points in April closing at 4.62% – 43 basis points lower 12-Mo. Apr. U.S. Treasury: Intermediate 0.45% 6.05% than a year ago. Aside from the concerns over the potential fallout from subprime mortgages, GNMA 30 Year 0.54% 7.20% some pundits are eye-balling the high yield bond market despite registering its lowest default Municipal Bond (22+) 0.42% 7.36% rate in a decade. Even the rating agencies, such as Moody's, were calling for a jump in defaults in U.S. Aggregate 0.54% 7.36% 2006, but it never materialized. It may have something to do with the resiliency of corporate Intermediate Corporate 0.55% 7.49% earnings. Analysts have been forecasting a dip in earnings growth for several quarters, but that U.S. Corporate High Yield 1.30% 12.33% too has failed to materialize as of Q1'07. Something that is noteworthy for investors is the 23% Global Aggregate 7.32% 1.13% y-o-y spike in high yield corporate bond issuance in the first four months of 2007. A record \$75 Global Emerging Markets 1.31% 12.00% billion was sold, according to Bloomberg. Strong demand persists despite narrow spreads.

Key Rates as of April 30 th	
Fed Funds	5.25%
2-Yr.T-Note	4.60%
10-Yr.T-Note	4.62%
30-Yr. Mortgage	6.13%
Bond Buyer 40	4.58%

Key Yield Spread		
The spread between the Merrill Lynch		
High Yield Master II Index and the 10-Yr.		
T-Note was 306 basis points on Apr. 30.		
The yield on the index was 7.68%. The		
spread was 314 basis points on Apr. 30,		
2006, when the yield was 8.19%.		

	' '	'	
2007 Debt Issuance through March (Source:Thomson Financial)			
Debt Category	\$ Amount	% change over '06	
Corporate	\$306.2 Billion	+23.1%	
Convertible	\$20.6 Billion	+102.0%	
Asset-Backed	\$294.9 Billion	+2.8%	
Municipal	\$106.3 Billion	+54.5%	

The Investment Climate

Net cash inflows to equity funds totaled \$8.2 billion in March, down from \$26.3 billion in February, according to the Investment Company Institute. Bond funds reported inflows totaling \$14.6 billion, down from \$15.1 billion in February. Money funds reported inflows totaling \$25.9 billion, vs. inflows totaling \$34.4 billion in February. Y-T-D through March, inflows to equity funds totaled \$63.7 billion, vs. \$44.7 billion for bond funds.