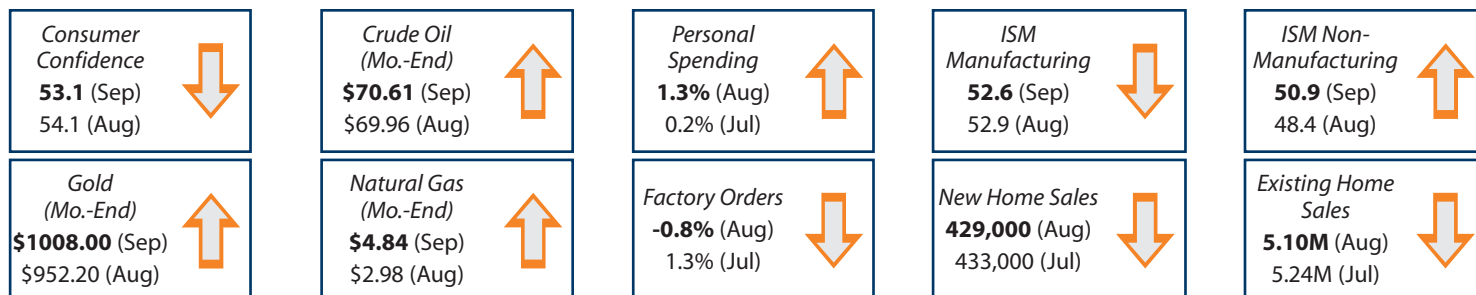


## The Economy

In its September survey, the Blue Chip Economic Indicators found that economists polled believe the U.S. economy will register annualized growth of 3.0% in Q3'09 and 2.4% in Q4'09. Economists have been ramping up their estimates since April when the Q3'09 estimate was only 0.4%. The estimate for growth in 2010 was unchanged at 2.7%. Those polled see inflation (CPI) contracting by 0.5% in 2009, but rising 1.8% in 2010. The CPI has averaged close to 3.0% per year since 1926. A weak labor market plus a lot of spare capacity in manufacturing should keep inflation subdued in the near future.



## The Stock Market

Indices (Source: Bloomberg)	Sep.	12-mo.	One hundred and nine out of the 134 subsectors that comprise the S&P 500 posted a gain in September, up from 102 last month. In Sep., the dividend-payers (358) in the S&P 500 (equal weight) posted a total return of 4.40%, vs. 7.19% for the non-payers (142), according to S&P.Y-T-D, the payers are up 17.55%, vs. a gain of 56.70% for the non-payers. For the 12-mo. period ended Sep. '09, payers were off 12.57%, vs. a gain of 9.36% for the non-payers. The # of dividend increases y-t-d totaled 108. That significantly lagged the 203 increases registered at this point in '08. The # of companies that decreased their dividend totaled 62, up from 22 a year ago. Ten companies have suspended their dividend payments, down from 13 a year ago. The Q3'09 edition of the <i>Investment Manager Outlook</i> (released Sep. 29), a survey of investment managers conducted by Russell Investment Group, says that money managers are most bullish on Emerging Market Equities (67%), Non-U.S. (Developed Market) Equities (63%), U.S. Mid-Cap Growth (59%), U.S. Small-Cap Growth (58%), U.S. Large-Cap Growth (55%) and U.S. Small-Cap Value (52%). The sectors managers are most bullish on are Technology (78%) and Health Care (52%). In Sep., 578 companies in the S&P 1500 had their earnings estimates adjusted higher by analysts, while 389 companies had their estimates cut, according to Bespoke Investment Group.
S&P 500	3.7%	-6.9%	
DJIA	2.4%	-7.4%	
NASDAQ 100	5.8%	8.6%	
S&P 400	5.7%	-3.1%	
Russell 2000	5.8%	-9.6%	
MSCI World (ex U.S.) (USD)	4.2%	3.1%	
MSCI Emerging Markets (USD)	9.1%	18.6%	
Growth/Value (Source: Bloomberg)	Sep.	12-mo.	
S&P 500 Citigroup Growth	4.3%	-2.6%	
S&P 500 Citigroup Value	3.2%	-11.4%	
S&P Midcap 400/Citigroup Growth	6.1%	-1.2%	
S&P Midcap 400/Citigroup Value	5.3%	-5.1%	
Russell 2000 Growth	6.6%	-6.3%	
Russell 2000 Value	5.0%	-12.7%	



## The Bond Market

Index (Source: Barclays)	Sep.	12-mo.	Yield	The yield on the 10-Yr. T-Bond fell 9 basis points in September closing at 3.31% – 52 basis points below its close (3.83%) on 9/08. Municipal bond issuance is down in 2009, while demand for tax-frees has spiked. Municipal issuance totaled \$259.2 billion in the first eight months of this year, down 13.9% from the \$301.0 billion sold over the same span in 2008, according to Thomson Reuters. Refinancings are down around 37.5%. Build America Bonds, taxable issues sold by municipalities, have accounted for 14% of municipal sales in the last four months, according to <i>The Bond Buyer</i> . Municipal bond funds have reported net inflows totaling \$44.6 billion this year as of August, according to the Investment Company Institute (ICI). Since 1984, the largest net cash inflow for a calendar year was \$38.3 billion in 1993 (ICI).
U.S. Treasury: Intermediate	0.56%	5.59%	1.84%	
GNMA 30 Year	0.75%	9.32%	4.14%	
Municipal Bond (22+)	6.63%	19.78%	4.76%	
U.S. Aggregate	1.05%	10.56%	3.55%	
Intermediate Corporate	1.45%	19.20%	4.45%	
U.S. Corporate High Yield	5.70%	22.34%	10.31%	
Global Aggregate	2.14%	13.51%	2.98%	
Global Emerging Markets	4.78%	19.58%	6.55%	

Key Rates as of September 30		Key Yield Spread		2009 Debt Issuance thru 8/09 (Source: Thomson Reuters)		
Fed Funds	0-0.25%	The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Bond was 700 basis points on 9/30/09, down from 812 on 8/31/09. It was 990 on 9/30/08. (Source: Bloomberg)		Debt Category	\$ Amount	% change over '08
2-Yr. T-Note	0.95%			Treasury	\$1.07 Trillion	+100.0%
10-Yr. T-Bond	3.31%			Corporate	\$572.5 Billion	-6.5%
30-Yr. Mortgage	5.13%			Convertible	\$17.3 Billion	-47.1%
Bond Buyer 40	4.97%			Asset-Backed	\$93.8 Billion	-28.0%
(Source: Bloomberg)				Municipal	\$259.2 Billion	-13.9%

## The Investment Climate

Net cash inflows to equity funds totaled \$3.9 billion in 8/09, vs. inflows totaling \$9.2 billion in 7/09, according to the Investment Company Institute. Bond funds had inflows totaling \$42.9 billion, vs. inflows totaling \$34.7 billion in 7/09. Money Market funds had outflows totaling \$53.8 billion, vs. outflows totaling \$48.3 billion in 7/09. Y-T-D thru Aug., equity fund inflows totaled \$15.0B, vs. \$219.9B in bond fund inflows & \$291.2B in MMF outflows.

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	1565.15	10/09/07	676.53	03/09/09	1057.08	-32.46%	19.26%	2.46%
S&P 500/Citigroup Growth	953.77	03/27/00	363.99	03/09/09	542.64	-43.11%	22.09%	1.68%
S&P 500/Citigroup Value	836.19	07/13/07	307.16	03/09/09	507.07	-39.36%	16.27%	3.27%
S&P 400	926.23	07/13/07	369.5	10/18/99	691.02	-25.39%	30.14%	1.61%
S&P 400/Citigroup Growth	383.7	06/05/08	162.27	10/09/02	298.04	-22.32%	33.55%	0.68%
S&P 400/Citigroup Value	361.18	06/04/07	122.85	10/18/99	251.78	-30.29%	26.74%	2.54%
S&P 100	832.65	03/24/00	322.13	03/09/09	488.35	-41.35%	15.50%	2.56%
DJIA	14164.53	10/09/07	6547.05	03/09/09	9712.28	-31.43%	13.49%	2.96%
NASDAQ 100	4704.73	03/27/00	804.64	10/07/02	1718.99	-63.46%	42.66%	0.61%
Russell 2000	855.77	07/13/07	327.04	10/09/02	604.28	-29.39%	22.43%	1.51%
Russell 2000 Growth	498.17	03/27/00	169.69	10/09/02	330.18	-33.72%	29.12%	0.62%
Russell 2000 Value	1276.63	06/04/07	463.26	10/29/99	840.11	-34.19%	16.36%	2.34%
Russell 3000	907.58	10/09/07	389.61	03/09/09	619.87	-31.70%	21.21%	2.26%
MSCI World x USA (USD)	2389.57	10/31/07	809.32	03/12/03	1565.32	-34.49%	30.78%	N/A
MSCI Emerging Markets (USD)	1338.49	10/29/07	245.64	09/21/01	914.05	-31.71%	64.21%	N/A
Bovespa/Brazil (USD)	73516.81	05/20/08	8370.88	10/16/02	61517.891	-16.32%	67.09%	3.40%
RTS/Russia (USD)	2487.92	05/19/08	83.12	09/30/99	1254.52	-49.58%	101.74%	1.39%
Bombay SE 500/India (USD)	8882.28	01/07/08	792.18	09/21/01	6552.75	-26.23%	84.15%	0.97%
Shanghai Composite/China (USD)	6092.057	10/16/07	1011.499	07/11/05	2779.426	-54.38%	54.86%	1.47%
Hang Seng (USD)	31638.22	10/30/07	8409.01	04/25/03	20955.25	-33.77%	49.66%	2.91%
MSCI Euro (USD)	1590.66	03/06/00	539.93	03/09/09	854.15	-46.30%	23.97%	3.97%
S&P Consumer Discretionary	318.54	06/04/07	125.72	03/09/09	216.48	-32.04%	29.54%	2.96%
S&P Consumer Staples	306.61	12/10/07	150.55	03/14/00	263.19	-14.16%	9.40%	2.99%
S&P Energy	668.81	05/20/08	163.83	07/23/02	409.31	-38.80%	7.80%	2.21%
S&P Utilities	223.91	12/10/07	77.27	10/09/02	148.93	-33.49%	4.33%	4.55%
S&P Financials	509.55	02/20/07	81.74	03/06/09	201.18	-60.52%	21.25%	2.40%
S&P Banks	414.38	02/20/07	49.02	03/05/09	129.14	-68.84%	-4.01%	3.16%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	320.19	-52.67%	17.29%	5.25%
S&P Health Care	444.98	12/28/00	252.84	03/05/09	333.76	-24.99%	9.73%	2.17%
S&P Pharmaceuticals	496.83	12/28/00	214.5	03/03/09	279.1	-43.82%	7.11%	3.72%
NYSE Arca Biotechnology	964.97	09/21/09	242.64	10/18/99	922.95	-4.35%	42.61%	1.80%
S&P Information Technology	988.49	03/27/00	172.88	10/09/02	335.65	-66.04%	46.08%	0.96%
Philadelphia Semiconductor	1332.73	03/10/00	171.32	11/20/08	325.75	-75.56%	55.67%	1.44%
S&P Telecom Services	339.28	11/29/99	79	09/30/02	108.29	-68.08%	1.39%	5.80%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	231.92	-39.15%	14.75%	2.94%
S&P Materials	285.91	05/16/08	102.55	10/09/02	186.92	-34.62%	38.38%	2.26%
Philadelphia Gold & Silver	206.37	03/14/08	41.85	11/17/00	165.41	-19.85%	34.13%	0.65%
Reuters/Jefferies CRB	473.52	07/02/08	183.52	10/22/01	259.39	-45.22%	13.00%	N/A
Merrill Lynch Perpetual Preferred	197.851	05/08/07	51.791	03/09/09	128.126	-35.24%	20.37%	8.10%
Merrill Lynch High Yield Master II	214.2	09/29/09	106.667	10/10/02	214.023	-0.08%	49.10%	10.31%