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TALKING POINTS

The Economy

The Blue Chip Economic Indicators survey in March called for GDP in the U.S. to decline by 2.6% in '09, a bit gloomier than the -1.9% estimate it offered in February, according to Reuters. The good news is economists are predicting positive growth in Q3'09 (+0.5%) and Q4'09 (+1.8%). The survey is forecasting an average unemployment rate of 8.6% for 2009 and 9.1% in 2010 - the highest back-to-back years of unemployment since 1982-1983. The Financial Accounting Standards Board voted on 4/2/09 to modify market-to-market rules to allow more flexibility in determining the "fair value" of assets.

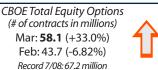


The Stock Market

Indices (Source: Bloomberg)	Mar.
S&P 500	8.7%
DJIA	7.9%
Nasdaq 100	10.8%
S&P 400	9.0%
Russell 2000	8.9%
MSCI World (ex U.S.) (USD)	6.6%
MSCI Emerging Markets (USD)	14.3%
Growth/Value (Source: Bloomberg)	Mar.
Growth/Value (Source: Bloomberg) S&P 500 Citigroup Growth	<u>Mar.</u> 7.8%
;	
S&P 500 Citigroup Growth S&P 500 Citigroup Value S&P Midcap 400/Citigroup Growth	7.8%
S&P 500 Citigroup Growth S&P 500 Citigroup Value	7.8% 9.9%
S&P 500 Citigroup Growth S&P 500 Citigroup Value S&P Midcap 400/Citigroup Growth	7.8% 9.9% 9.7%
S&P 500 Citigroup Growth S&P 500 Citigroup Value S&P Midcap 400/Citigroup Growth S&P Midcap 400/Citigroup Value	7.8% 9.9% 9.7% 8.3%

One hundred and fourteen out of the 134 subsectors that comprise the S&P 500 posted a gain in <u>12-mo.</u> -38.1% March, up from 14 last month. In March, the dividend-payers (365) in the S&P 500 (equal weight) -35.9% posted a total return of 9.34%, vs. 14.05% for the non-payers (135), according to Standard & Poor's. -30.1% Year-to-date, the payers declined 12.99%, vs. a loss of 0.23% for the non-payers. For the 12-month -36.1% period ended March '09, payers fell 47.77%, vs. a decline of 40.66% for the non-payers. The number -37.5% of dividend increases so far in 2009 totaled 54. That significantly lagged the 92 increases registered -46.1% at this point in 2008. The number of companies that decreased their dividend totaled 40, up from -47.4% seven a year ago. The Q1'09 edition of the Investment Manager Outlook (released 3/25), a survey of <u>12-mo.</u> investment managers conducted by Russell Investment Group, says that money managers are -32.2% most bullish on Corporate Bonds (67%) and High Yield Bonds (61%). The universe includes all major -43.9% asset classes both domestic and foreign. With respect to equities, managers are most bullish on -34.9% U.S. Large-Cap Growth (57%), U.S. Mid-Cap Growth (54%) and U.S. Small-Cap Growth (50%). -37.3% Managers are least bullish on Real Estate and U.S. Treasuries. The sectors managers are most bullish -36.4% -38.9% on are Technology (62%), Health Care (51%), Other Energy (51%) and Integrated Oils (42%).

U.S. Dollar (U.S. Trade-Weighted Basket)	
- 2.9% (Mar)	
3.9% (Y-T-D)	
\$ was up 7.8% in '08	Ť







The Bond Market

<u>Yield</u> Index (Source: Barclays) <u>Mar.</u> <u>12-mo.</u> 1.43% U.S. Treasury: Intermediate 1.62% 6.20% GNMA 30 Year 1.59% 7.48% 3.85% Municipal Bond (22+) -4.50% 5.97% -0.16% U.S. Aggregate 1.39% 3.13% 4.07% Intermediate Corporate -0.13% -5.62% 7.62% U.S. Corporate High Yield 3.19% -19.31% 18.12% **Global Aggregate** 2.30% -4.92% 3.44% **Global Emerging Markets** 4.62% -13.98% 9.98%

The yield on the 10-Yr. T-Bond declined 34 basis points in March closing at 2.67% - 74 basis points below its close (3.41%) on 3/31/08. In recent months we have focused on the outlook for investment grade and speculative-grade debt here in the U.S. This month the update is on the outlook for sovereign debt. Due to the global recessionary climate, there were more downgrades in 2008 than upgrades, according to Elena Duggar, analyst at Moody's. For the past several years the opposite was true. Seven countries were downgraded in 2008 and another three so far in 2009. Ten more countries have negative outlooks and five are on review for downgrade. Moody's tracks 109 sovereigns. There were two defaults in 2008 (Equador & Seychelles). Recovery rates on sovereigns have averaged 50% since 1983.

Key Rates as of March 31	Key Yield Spread	2009 Debt Issuance thru 2/09 (Source: Thomson Financial)		
Fed Funds 0-0.25% 2-Yr. T-Note 0.80% 10-Yr. T-Bond 2.67% 30-Yr. Mortgage 4.93% Bond Buyer 40 5.55%	The spread between the Merrill Lynch	<u>Debt Category</u>	<u>\$ Amount</u>	<u>% change over '08</u>
	High Yield Master II Index and the 10-Yr.	Corporate	\$147.3 Billion	-4.8%
	T-Bond was 1,596 basis points on	Convertible	\$500 Million	-91.4%
	3/31/09, down from 1,621 on 2/27/09. It	Asset-Backed	\$5.3 Billion	-85.2%
	was 740 on 3/31/08. (Source: Bloomberg)	Municipal	\$46.3 Billion	+11.4%

The Investment Climate

Net cash outflows from equity funds totaled \$25.0 billion in 2/09, vs. inflows totaling \$8.9 billion in 1/09, according to the Investment Company Institute. Bond funds had inflows totaling \$17.2 billion, vs. inflows totaling \$16.5 billion in 1/09. Money Market funds had outflows totaling \$6.4 billion, vs. inflows totaling \$59.5 billion in 1/09.Y-T-D thru Feb., equity fund outflows totaled \$16.1B, vs. \$33.7B in bond fund inflows & \$53.0B in MMF inflows.