











## The Economy

The U.S. economy has shown its resiliency once again. Its GDP growth rate was just revised upward from an annualized 2.8% in Q4'11 to 3.0%. It had not registered above 3.0% since the 3.8% GDP growth rate posted in Q2'10. Obviously, the new threat to growth is rising oil and gasoline prices. A \$10-per-barrel increase in the price of oil lowers U.S. GDP growth by approximately 0.5%, according to the International Monetary Fund. Higher prices at the pump reduces the amount of discretionary dollars consumers can tap. At the moment, geopolitics (think Iran) is influencing the price of crude oil more than anything, in our opinion. This is not a case where demand is outpacing supply. This issue could easily impact the Presidential Election in November.

<b>Consumer Confidence</b> <b>70.8</b> (Feb) 61.1 (Jan) 	<b>Crude Oil (Mo.-End)</b> <b>\$107.07</b> (Feb) \$98.48 (Jan) 	<b>Personal Spending</b> <b>0.2%</b> (Jan) Dec was 0.0% 	<b>ISM Manufacturing</b> <b>52.4</b> (Feb) 54.1 (Jan) 	<b>ISM Non-Manufacturing</b> <b>57.3</b> (Feb) 56.8 (Jan) 
<b>Gold (Mo.-End)</b> <b>\$1711.30</b> (Feb) \$1737.80 (Jan) 	<b>Natural Gas (Mo.-End)</b> <b>\$2.62</b> (Feb) \$2.50 (Jan) 	<b>Factory Orders</b> <b>-1.0%</b> (Jan) Dec was 1.1% 	<b>New Home Sales</b> <b>321,000</b> (Jan) 307,000 (Dec) 	<b>Existing Home Sales</b> <b>4.57M</b> (Jan) 4.61M (Dec) 

## The Stock Market

<b>Indices</b> (Source: Bloomberg) S&P 500 4.3% DJIA 2.9% NASDAQ 100 6.5% S&P 400 4.5% Russell 2000 2.4% Russell 3000 4.2% MSCI World (ex U.S.) (USD) 5.5% MSCI Emerging Markets (USD) 5.9%	<b>Feb 12-mo.</b> 5.1% 8.8% 12.7% 2.5% -0.2% 4.4% -7.9% 0.0%	Ninety-eight out of the 132 subsectors (74%) that comprise the S&P 500 posted a gain in February, down from 107 (81%) last month, according to S&P. Information Technology was the top performing sector, up 7.4%. In February, the dividend-payers (396) in the S&P 500 (equal weight) posted a total return of 3.84%, vs. 5.55% for the non-payers (104), according to Standard & Poor's. Y-T-D, the payers were up 8.92%, vs. a gain of 14.19% for the non-payers. For the 12-month period ended Feb., payers were up 4.08%, vs. a loss of 1.22% for the non-payers. The # of dividend increases y-t-d totaled 68, up from 55 a year ago. Three dividends were cut, up from zero a year ago. One company initiated a dividend, down from 6 a year ago. S&P 500 dividends are expected to total \$263 billion in 2012, according to Howard Silverblatt, senior index analyst at Standard & Poor's. If so, that total would eclipse the previous record of \$248 billion in 2008. Data from ICI.org shows that investors liquidated roughly \$490 billion from domestic equity funds over the past five years, according to SmartMoney.com. The key event that seemed to trigger the mass exodus was the Lehman Brothers bankruptcy filing on 9/15/08. Investors pulled out \$45 billion in 10/08. SmartMoney.com estimates that the \$45 billion pulled from the funds would have grown to \$70 billion (including dividends) today.
<b>Growth/Value</b> (Source: Bloomberg) S&P 500 Growth 4.5% S&P 500 Value 4.2% S&P 400 Growth 5.0% S&P 400 Value 4.0% Russell 2000 Growth 3.3% Russell 2000 Value 1.5%	<b>Feb 12-mo.</b> 8.7% 1.6% 4.3% 0.9% 2.4% -2.7%	

<b>U.S. Dollar Index (DXY)</b> <b>-0.7%</b> (Feb) -1.8% (YTD) \$ was up 1.5% in '11 	<b>CBOE Total Equity Options</b> (# of contracts in millions) Feb: <b>47.6</b> (+7.9%)  Jan: 44.1 (+51.0%) Record 7/08: 67.2 million	<b>Short Interest (NYSE)</b> Feb 15: <b>12.6B</b> (-6.0%)  Jan 13: 13.4B (-0.7%) Record 7/08: 18.61 billion shares	<b>VIX Volatility Index (S&amp;P 500)</b> <b>18.43</b> (2/29)  19.44 (1/31) Record 11/20/08: 80.86
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## The Bond Market

<b>Index (Source: Barclays)</b> U.S. Treasury: Intermediate -0.47% GNMA 30 Year 0.06% Municipal Bond (22+) 0.30% U.S. Aggregate -0.02% Intermediate Corporate 0.77% U.S. Corporate High Yield 2.37% Global Aggregate -0.07% Global Emerging Markets 2.93%	<b>Feb 12-mo. Yield</b> 6.58% 7.94% 19.43% 8.37% 7.47% 6.94% 6.52% 10.81%	<b>Yield</b> 0.75% 2.74% 3.94% 2.10% 2.68% 6.99% 2.13% 5.35%	U.S. speculative-grade debt and emerging markets debt significantly outperformed their higher-quality counterparts in February. The majority of the spread between the 2.93% gain posted by the Barclays Capital Global Emerging Markets Index and the 2.37% posted by the Barclays Capital U.S. Corporate High Yield Index was likely the 0.7% drop in the U.S. dollar. The pop in performance was not a surprise when you consider the strong showing from the major equity indices, both here and abroad. The default rate forecasting model used by Moody's currently predicts a modest rise in the global default rate in 2012. It expects the default rate to rise from 2.0% in January 2012 to 2.8% in December 2012. If so, 2.8% is still well below the historical average of 4.8%, according to Moody's.
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<b>Key Rates as of February 29</b> Fed Funds 0-0.25% 2-Yr. T-Note 0.30% 10-Yr. T-Bond 1.97% 30-Yr. Mortgage 3.90% Bond Buyer 40 4.57% (Source: Bloomberg)	<b>Key Yield Spread</b> The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 562 basis points on 2/29/12, down from 617 on 1/31/12. It was 398 on 2/29/11. (Source: Bloomberg)	<b>2012 Debt Issuance Through January</b> (Source: Thomson Reuters) <table border="1"> <thead> <tr> <th>Debt Category</th> <th>\$ Amount</th> <th>% change over '11</th> </tr> </thead> <tbody> <tr> <td>Treasury</td> <td>\$289.0 Billion</td> <td>+59.1%</td> </tr> <tr> <td>Corporate</td> <td>\$103.4 Billion</td> <td>-28.2%</td> </tr> <tr> <td>Convertible</td> <td>\$400 Million</td> <td>-82.7%</td> </tr> <tr> <td>Asset-Backed</td> <td>\$11.8 Billion</td> <td>+37.6%</td> </tr> <tr> <td>Municipal</td> <td>\$17.1 Billion</td> <td>+37.5%</td> </tr> </tbody> </table>	Debt Category	\$ Amount	% change over '11	Treasury	\$289.0 Billion	+59.1%	Corporate	\$103.4 Billion	-28.2%	Convertible	\$400 Million	-82.7%	Asset-Backed	\$11.8 Billion	+37.6%	Municipal	\$17.1 Billion	+37.5%
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Equity funds reported net cash outflows totaling \$218 million in 1/12, vs. \$28.8 billion of outflows in 12/11, according to the Investment Company Institute. Bond fund inflows totaled \$27.9 billion, vs. \$9.5 billion of inflows in 12/11. Money Market fund outflows totaled \$36.4 billion, vs. \$38.4 billion of inflows in 12/11. In 2011, equity funds reported net outflows totaling \$130.3 billion, vs. \$124.8 billion of inflows for bond funds (municipal bond funds had outflows totaling \$11.8B) and \$123.9 billion of outflows for MMFs.

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	1365.68	-12.74%	9.00%	2.00%
S&P 500 Growth	737.61	02/28/12	363.99	03/09/09	734.64	-0.40%	8.76%	1.76%
S&P 500 Value	836.19	07/13/07	307.16	03/09/09	623.76	-25.40%	9.28%	2.28%
S&P 400	1015.26	04/29/11	372.88	10/09/02	977.36	-3.73%	11.40%	1.35%
S&P 400 Growth	465.69	07/07/11	162.27	10/09/02	447.56	-3.89%	12.20%	0.91%
S&P 400 Value	361.18	06/04/07	135.55	10/09/02	335.26	-7.18%	10.54%	1.83%
S&P 100	729.79	10/09/07	322.13	03/09/09	619.45	-15.12%	9.01%	2.14%
DJIA	14164.53	10/09/07	6547.05	03/09/09	12952.07	-8.56%	6.55%	2.50%
NASDAQ 100	2633.46	02/28/12	804.64	10/07/02	2623.10	-0.39%	15.40%	0.93%
Russell 2000	865.29	04/29/11	327.04	10/09/02	810.94	-6.28%	9.63%	1.44%
Russell 2000 Growth	497.75	04/29/11	169.69	10/09/02	471.41	-5.29%	11.02%	0.70%
Russell 2000 Value	1276.63	06/04/07	469.32	03/09/09	1057.49	-17.17%	8.23%	2.20%
Russell 3000	907.58	10/09/07	389.61	03/09/09	810.36	-10.71%	9.49%	1.89%
MSCI World x U.S. (USD)	5379.90	10/31/07	1636.59	03/12/03	4070.07	-24.35%	11.19%	N/A
MSCI Emerging Markets (USD)	473.35	10/29/07	79.55	10/10/02	420.71	-11.12%	18.01%	N/A
Bovespa/Brazil (USD)	44638.24	05/19/08	2160.80	10/16/02	38517.91	-13.71%	27.26%	3.52%
RTS/Russia (USD)	2487.92	05/19/08	290.75	02/28/02	1734.99	-30.26%	27.09%	2.15%
Bombay SE 500/India (USD)	226.04	01/07/08	21.10	10/28/02	139.88	-38.12%	28.64%	1.45%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	385.85	-52.38%	10.44%	1.99%
KOSPI/South Korea (USD)	2.29	10/31/07	0.41	03/17/03	1.81	-20.85%	14.47%	1.23%
Hang Seng (USD)	4082.25	10/30/07	1078.13	04/25/03	2795.12	-31.53%	17.77%	3.21%
MSCI Euro (USD)	1988.53	10/31/07	598.84	03/12/03	1043.31	-47.53%	12.49%	4.31%
S&P Consumer Discretionary	342.12	02/28/12	125.72	03/09/09	341.38	-0.22%	10.87%	1.51%
S&P Consumer Staples	341.20	02/29/12	182.72	03/10/03	341.20	0.00%	2.03%	2.94%
S&P Energy	668.81	05/20/08	163.83	07/23/02	557.36	-16.66%	7.46%	1.97%
S&P Utilities	223.91	12/10/07	77.27	10/09/02	176.27	-21.28%	-2.94%	4.29%
S&P Financials	509.55	02/20/07	81.74	03/06/09	198.35	-61.07%	13.52%	1.70%
S&P Banks	414.38	02/20/07	49.02	03/05/09	145.90	-64.79%	12.15%	1.82%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	467.03	-30.97%	5.39%	3.35%
S&P Health Care	426.93	05/07/07	252.84	03/05/09	417.92	-2.11%	4.43%	2.17%
S&P Pharmaceuticals	429.68	03/15/02	214.50	03/03/09	333.87	-22.30%	-0.39%	3.46%
NYSE Arca Biotechnology	1502.18	05/12/11	280.09	07/10/02	1314.31	-12.51%	20.45%	0.06%
S&P Information Technology	475.17	02/28/12	172.88	10/09/02	472.79	-0.50%	15.60%	0.99%
Philadelphia Semiconductor	637.94	03/08/02	171.32	11/20/08	424.17	-33.51%	16.68%	1.28%
S&P Telecom Services	181.06	05/31/07	79.00	09/30/02	129.35	-28.56%	0.86%	5.50%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	319.78	-16.10%	9.95%	2.23%
S&P Materials	285.91	05/16/08	102.55	10/09/02	233.84	-18.21%	10.77%	2.10%
Philadelphia Gold & Silver	228.95	04/08/11	55.73	07/26/02	195.56	-14.58%	8.49%	1.47%
Reuters/Jefferies CRB	473.52	07/02/08	192.33	02/28/02	322.43	-31.91%	5.61%	N/A
Merrill Lynch Perpetual Preferred	197.85	05/08/07	51.79	03/09/09	173.71	-12.20%	8.97%	6.96%
Merrill Lynch High Yield Master II	286.84	02/29/12	106.67	10/10/02	286.84	0.00%	5.25%	7.59%