TALKING POINTS

A Recap of November 2007

The Economy

The Blue Chip Economic Indicators newsletter lowered its consensus forecast for real GDP growth in 2008 from 2.6% in September to 2.4% in October. In September, those economists polled put the odds of a recession in the next 12 months at one-in-three. Brian Wesbury, Chief Economist at First Trust Advisors L.P., is forecasting 3.5% real GDP for 2008. Wesbury believes the Federal Reserve is likely to cut rates by 25 basis points at their next meeting on December 11 – despite the fact that economic data shows the Fed is not tight and should not cut rates.

Consumer Confidence	**87.3** (Nov)	95.6 (Oct)	⇩
Crude Oil (Mo.-End)	**$88.71** (Nov)	$94.53 (Oct)	⇩
Personal Spending	**0.2%** (Oct)	0.3% (Sep)	⇩
ISM Manufacturing	**50.8** (Nov)	50.9 (Oct)	⇩
ISM Non-Manufacturing	**54.1** (Nov)	55.8 (Oct)	⇩
Gold (Mo.-End)	**$782.20** (Nov)	$795.30 (Oct)	⇩
Natural Gas (Mo.-End)	**$7.30** (Nov)	$8.33 (Oct)	⇩
Construction Spending	**-0.8%** (Oct)	0.3% (Sep)	⇩
New Home Sales	**728,000** (Oct)	770,000 (Sep)	⇩
Existing Home Sales	**4.97M** (Oct)	5.04M (Sep)	⇩

The Stock Market

The major indices performed as follows (**Nov** & Y-T-D): *S&P 500* (**-4.18%** & 6.22%); *DJIA* (**-3.64%** & 9.59%); *Nasdaq Composite* (**-6.84%** & 10.95%); *Russell 2000* (**-7.18%** & -1.50%); *MSCI Emerging Markets in USD* (**-7.08%** & 38.68%); and *MSCI World ex-USA in USD* (**-3.87%** & 15.17%). Some of the top performing S&P 500 industry groups in November were as follows: Tobacco (+6.6%); Managed Care (+6.1%); Home Furnishings (+5.9%); Coal & Consumable Fuels (+5.9%); Household Products (+5.4%); and Insurance Brokers (+3.5%). The top performing S&P sector was Consumer Staples (+2.9%). In November, the dividend-payers (386) in the S&P 500 (equal weight) posted a total return of -4.44%, vs. -7.53% for the non-payers (114), according to Standard & Poor's. Year-to-date, the payers gained 1.80%, vs. 4.45% for the non-payers. For the 12-month period ended November 2007, payers gained 3.39%, vs. 1.78% for the non-payers. Dividend-payers outperformed the non-payers six out of the last seven calendar years ('00-'06). The number of dividend increases (S&P 500) year-to-date totaled 265. That slightly lagged the 267 increases over the same period in 2006 and the 277 increases registered in 2005. The S&P 500 closed trading on November 26 down 10.1% from its October 9 record-high. A decline of 10% or more, but less than 20%, qualifies as a correction. A decline of 20% or more qualifies as a bear market. There have been 16 corrections since 1946, according to data from S&P. They averaged 148 days in duration and produced an average decline of 14%. This correction lasted 48 days. For the week ended November 16, corporate insiders sold an average of 1.68 shares for every share bought, according to Argus Research. That ratio is considerably lower than the 3.04-to-1 ratio at the start of November.

U.S. Dollar (U.S. Trade- Weighted Basket)	**+0.61%** (Nov)	-10.25% (Y-T-D)	$ was down 5.25% in '06	⇧
CBOE Total Equity Options (# of contracts in millions)	**49.2** (11/30)	51.8 (10/31)	*October's 51.8 million is the record*	⇩
Short Interest (NYSE)	Nov 15: **12.39B** (+6.4%)	Oct 15: 11.65B (-1.6%)	*Short Interest Record 7/07: 12.95B*	⇧
S&P 500 P-E Ratio (Trailing 12-mo. earnings)	**18.30** (11/30)	18.08 (10/31)	*Avg. P-E is 20 over past 25 years*	⇧

The Bond Market

Index (Source: Lehman)	**Nov**	**Y-T-D**	**12-Mo.**
U.S. Treasury: Intermediate	2.68%	8.61%	8.11%
GNMA 30 Year	2.02%	6.89%	6.78%
Municipal Bond (22+)	-0.02%	0.57%	0.06%
U.S. Aggregate	1.80%	6.67%	6.05%
Intermediate Corporate	0.86%	4.95%	4.47%
U.S. Corporate High Yield	-2.17%	1.58%	2.69%
Global Aggregate	1.91%	9.81%	8.35%
Global Emerging Markets	-0.52%	5.46%	6.03%

The yield on the 10-Yr. T-Note fell 53 basis points in November closing at 3.94% – 52 basis points lower than a year ago. Concern over the future strength of the U.S. economy, brought on by testimony from Fed Chairman Ben Bernanke to Congress on the 8th of November, inspired a further flight to quality in the bond market. The potential for additional rate cuts was certainly a factor, in our opinion. As the returns in the chart show, high yield corporates and emerging market debt did not fare as well as investment-grade securities. Perhaps the most interesting event came at the end of November when E-Trade sold its asset-backed securities with a face value of $3 billion for a reported $800 million, or 27 cents on the dollar. Asset-backed securities have come under fire in recent months with respect to how they are valued.

Key Rates as of November 30th

Fed Funds	4.50%
2-Yr. T-Note	3.01%
10-Yr. T-Note	3.94%
30-Yr. Mortgage	5.95%
Bond Buyer 40	4.79%

Key Yield Spread

The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 547 basis points on 11/30/07. It was 429 on 10/31/07 and 354 on 11/30/06.

2007 Debt Issuance through October
(Source: Thomson Financial)

Debt Category	$ Amount	% change over '06
Corporate	$990.0 Billion	+15.7%
Convertible	$61.5 Billion	+43.4%
Asset-Backed	$812.3 Billion	-20.0%
Municipal	$368.5 Billion	+24.1%

The Investment Climate

Net cash inflows to equity funds totaled $11.3 billion in October, up from $7.5 billion in September, according to the Investment Company Institute. Bond funds reported inflows totaling $11.7 billion, up from $7.4 billion in September. Money funds reported inflows totaling $105.5 billion, up from $64.1 billion in September. Y-T-D through October, inflows to equity funds totaled $103.0 B, vs. $106.3 B for bond funds & $523.5 B for money markets.