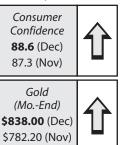


TALKING POINTS

A Recap of December 2007

The Economy

The Blue Chip Economic Indicators newsletter lowered its consensus forecast for real GDP growth in 2008 from 2.4% in October to 2.1% in December. In December, those economists polled put the odds of a recession in the next 12 months at 40%. Brian Wesbury, Chief Economist at First Trust Advisors L.P., is forecasting 3.0% to 3.5% real GDP for 2008. A weaker than expected jobs report (18,000 added to nonfarm payrolls in Dec. vs. estimate of 70,000) and a drop in the ISM Manufacturing Index (47.7 vs. estimate of 50.5 for Dec.) increases the likelihood of a Fed rate cut on January 31, in our opinion.



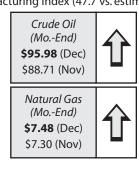
U.S. Dollar

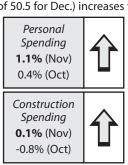
(U.S. Trade-Weighted Basket)

+0.27% (Dec)

-9.95% (2007)

\$ was down 5.25% in '06







In December, the dividend-payers (390) in the S&P 500 (equal weight) posted a total return of

-1.53%, vs. -2.53% for the non-payers (110), according to Standard & Poor's. In 2007, the payers gained

0.73%, vs. -0.77% for the non-payers. The 2007 return for the weighted version of the S&P 500 was

5.49%. The number of dividend increases (S&P 500) totaled 287. That lagged the 299 increases in 2006

and the 306 increases registered in 2005. The Q4'07 edition of the Investment Manager Outlook, a

survey of investment managers conducted by Russell Investment Group, says that money managers

continue to be most bullish on large-cap growth stocks over all other asset classes. Seventy-five

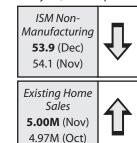
percent of those managers polled are bullish, up from 69% in Q3'07. Non-U.S. developed markets

came in second at 61% (57% in Q3) followed by mid-cap growth stocks at 60% (53% in Q3). The

sectors that managers are most bullish on are technology at 78% (73% in Q3) and health care at 73%

(69% in Q3). Merrill Lynch estimates that between \$3.1 trillion and \$6 trillion could flow from

sovereign wealth funds (SWFs) into world stock markets over the next 5 years, according to



The Stock Market

Index (Source: Bloomberg) Dec 2007 S&P 500 -0.69% 5.49% Dow Jones Industrial Avg. -0.66% 8.88% Nasdaq 100 -0.15% 19.24% S&P 400 -0.19% 7.98% Russell 2000 -0.06% -1.56% MSCI World (ex U.S.) -1.88% 13.04% MSCI Emerging Markets 0.35% 39.23% **Industries (Source: S&P)** 2007 Dec 84.3% Coal & Consumable Fuels 15.0% Fertilizers & Ag. Chemicals 12.4% 112.6% Homebuilding 10.7% -59.6% **Building Products** 9.8% -1.6% Systems Software 6.4%

18.7% MarketWatch.com. SWFs are comprised of assets held by governments in another country's currency. CBOE Total Equity Options (# of contracts in millions) **37.2** (12/31) 49.2 (11/30) October's 51.8 million is the record



Short Interest (NYSE) Dec 14: 12.65B (+2.1%) Nov 15: 12.39B (+6.4%) Short Interest Record 7/07: 12.95B



The yield on the 10-Yr. T-Note rose 9 basis points in December closing at 4.03% - 67 basis

points below the close on December 29, 2006. Due to the decline in rates, several of the bond

S&P 500 P-E Ratio (Trailing 12-mo. earnings) **18.65** (12/31) 18.30 (11/30) Avg. P-E is 20 over past 25 years



The Bond Market

Index (Source: Lehman) Dec 2007 Yield U.S. Treasury: Intermediate 0.21% 8.83% 3.37% **GNMA 30 Year** 0.07% 6.97% 5.44% -0.11% 0.46% Municipal Bond (22+) 4.86% U.S. Aggregate 0.28% 6.97% 4.90% Intermediate Corporate 0.14% 5.10% 5.55% U.S. Corporate High Yield 0.29% 1.87% 9.64% Global Aggregate 9.48% 4.19% -0.30% Global Emerging Markets 0.40% 5.88% 6.51%

4.25%

3.05%

4.03%

6.06%

4.84%

Key Rates as of December 31st

Fed Funds

2-Yr.T-Note

10-Yr. T-Note

30-Yr. Mortgage

Bond Buyer 40

Key Yield Spread The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 557 basis points on 12/31/07. It was 547 on 11/30/07 and 325 on 12/31/06.

returned a disappointing consecutive year that new so by the steep losses that bo more than 50% of all mu according to Thomson Fin.	0.4 sup nc uni an	S&P 500's 5.49% total return in 2007. Municipal bonds, however, 16%. In addition to another year of heavy issuance – the sixth oply exceeded \$350 billion – demand for tax-frees was tempered I insurers sustained from the subprime mortgage market. A little cipal debt issued over the past five years has been insured, cial. On a more positive note, defaults in U.S. speculative-grade te bonds and senior loans) remained at near-record lows.
Key Yield Spread) 	2007 Debt Issuance through November

(Source: Thomson Financial) **Debt Category** % change over '06 \$ Amount \$1.058 Trillion +8.2% Corporate Convertible \$63.8 Billion +25.3% Asset-Backed \$844.8 Billion -25.9% \$398.3 Billion Municipal +17.4%

The Investment Climate

Net cash outflows from equity funds totaled \$10.9 billion in November, vs. inflows of \$11.3 billion in October, according to the Investment Company Institute. Bond funds reported inflows totaling \$2.4 billion, down from \$11.4 billion in October. Money funds reported inflows totaling \$101.3 billion, down from \$105.8 billion in October. Y-T-D through Nov., inflows to equity funds totaled \$92.3 B, vs. \$108.5 B for bond funds & \$625.1 B for MMFs.