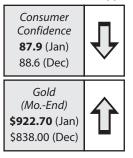


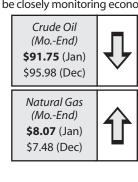
TALKING POINTS

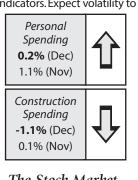
A Recap of January 2008

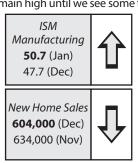
The Economy

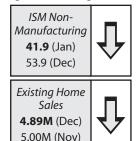
The combination of a weaker-than-expected 0.6% (annualized) GDP growth rate in Q4'07, a weak ISM Non-Manufacturing (Services) Index reading in January and a two-month downturn in job creation (could be revised higher or lower) has heightened fears that the U.S. is either in a recession or on the cusp of one. The aggressive easing by the Fed, while perhaps a little late for some pundits, should help set the stage for a significant bounce in the second half of '08. Investors appear to be closely monitoring economic indicators. Expect volatility to remain high until we see some firming in the housing market.











The Stock Market

Index (Source: Bloomberg)	Jan	2008	The 6% drop in the S&P 500 was the worst showing in 18 years. Only 35 out of the 130 industries that
S&P 500	-6.00%	-6.00%	comprise the S&P 500 posted gains. Over the past 3 months, the DJIA has risen or fallen by at least 1% in
DJIA	-4.63%	-4.63%	nearly 1 out of every 2 trading sessions, according to MarketWatch.com. In 2006, there were only 25 days
'	-11.68%	-11.68%	in which the DJIA rose or fell by 1%. There have been 8 trading sessions over the past 60 days (thru 2/5)
S&P 400	-6.16%	00,0	in which the DJIA moved up or down by 2%. There was 1 such session in 2005 and 0 in 2006. In January,
Russell 2000	-6.82%	-6.82%	the dividend-payers (387) in the S&P 500 (equal weight) posted a total return of -4.07%, vs5.97% for the
MSCI World (ex U.S.)	-8.97%	-8.97%	
MSCI Emerging Markets	-12.53%	-12.53%	non-payers (113), according to Standard & Poor's. For the 12-month period ended January 2008, payers
Industries (Source: S&P)	Jan	2008	fell 5.67%, vs. a decline of 8.49% for the non-payers. Dividend-payers outperformed the non-payers seven
Homebuilding	26.7%	26.7%	out of the last eight calendar years ('00-'07). The number of dividend increases (S&P 500) in Jan. totaled
Home Improvement Retail	13.9%	13.9%	30. That topped the 28 increases over the same period in '07, but lagged the 40 increases registered in
Gold	11.3%	11.3%	'06. Executives are buying more shares of their companies' stock than they are selling for the first time
General Merchandise Stores	11.0%	11.0%	since 1995, an indication they believe the market is undervalued, according to Bloomberg. The last 7

10.7%

U.S. Dollar	
(U.S. Trade-Weighted Basket)	
-1.16% (Jan)	
-9.95% (2007)	
\$ was down 5.25% in '06	

Trucking





Short Interest (NYSE) Jan 15: **13.85B** (+9.5%) Dec 14: 12.65B (+2.1%) Short Interest Record 1/08: 13.85B

10.7% times insiders bought more than they sold the S&P 500 rallied an avg. of 21% in the following 12 months.



S&P 500 P-E Ratio (Trailing 12-mo. earnings) **16.93** (1/31) 18.65 (12/31) Avg. P-E is 20 over past 25 years



The Bond Market

Index (Source: Lehman)	<u>Jan</u>	2008	<u>Yield</u>
U.S. Treasury: Intermediate	2.51%	2.51%	2.64%
GNMA 30 Year	1.70%	1.70%	5.11%
Municipal Bond (22+)	-0.10%	-0.10%	4.91%
U.S. Aggregate	1.68%	1.68%	4.47%
Intermediate Corporate	1.63%	1.63%	5.17%
U.S. Corporate High Yield	-1.33%	-1.33%	10.04%
Global Aggregate	2.78%	2.78%	3.83%
Global Emerging Markets	0.77%	0.77%	6.43%

3.00%

2.10%

3.60%

5.50%

4.87%

Key Rates as of January 31

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 644 basis points on 1/31/08. It was 557 on 12/31/07 and 307 on 1/31/07.

The yield on the 10-Yr.T-Note fell 43 basis points in January closing at 3.60% – 78 basis points below the close on January 31, 2007. Two of the top stories in the market involve municipal and speculative-grade bonds. Despite the aggressive fed rate cuts, municipal bonds have not participated in the current rally because of the uncertainty over whether the bond insurers will maintain their AAA ratings. The insurers have been hit very hard by the losses sustained in subprime CDOs and related products. This question is expected to be answered in a matter of weeks. Tempered economic growth in the U.S. is impacting trading in the high yield corporate market. Moody's is forecasting a spike in defaults for 2008. Its model shows defaults rising from 0.9% to 4.8% this year. If so, the default rate would sit just under its historical average of 5.0%.

2007 Debt Issuance through December (Source:Thomson Financial)							
Debt Category	\$ Amount	% change over '06					
Corporate	\$1.106 Trillion	+4.5%					
Convertible	\$76.4 Billion	+21.7%					
Asset-Backed	\$865.0 Billion	-31.0%					
Municipal	\$428.8 Billion	+10.9%					

The Investment Climate

Net cash inflows to equity funds totaled \$1.3 billion in December, vs. outflows totaling \$9.9 billion in November, according to the Investment Company Institute. Bond funds reported inflows totaling \$584 million, down from \$2.0 billion in November. Money funds reported inflows totaling \$35.5 billion, down from \$101.4 billion in November. In 2007, inflows to equity funds totaled \$92.4 B, vs. \$108.5 B for bond funds & \$660.7 B for MMFs.