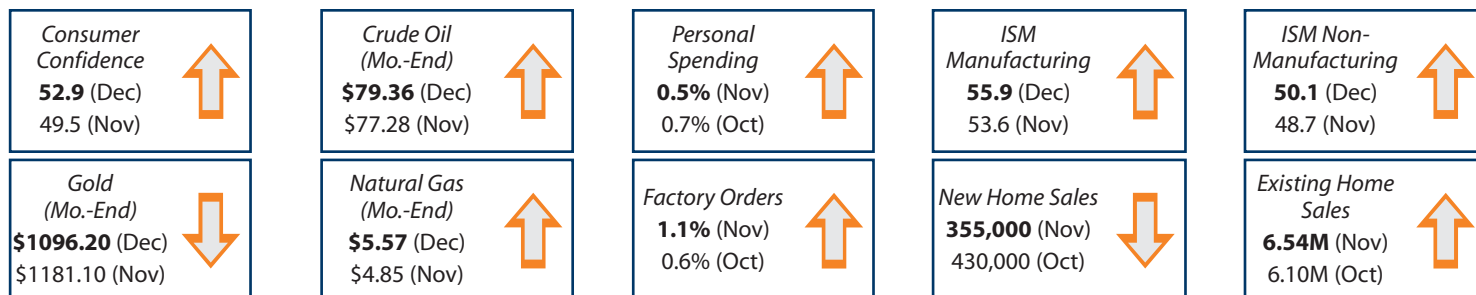


The Economy

Expect all eyes to be focused on the labor market in the first half of 2010. Nonfarm payrolls have declined for 23 consecutive months heading into December's release. Companies shed some 7.16 million jobs over that span. The Federal Reserve is not likely to tighten monetary policy until it sees evidence of sustained job growth. Brian Wesbury, Chief Economist at First Trust Advisors, expects job growth to commence early in 2010 and sees the unemployment rate declining from today's 10% level to 8.5% by the end of 2010. He is looking for GDP growth of at least 4.5%.



The Stock Market

Indices (Source: Bloomberg)	Dec.	2009	One hundred and one out of the 134 subsectors that comprise the S&P 500 posted a gain in December, down from 111 last month. In December, the dividend-payers (363) in the S&P 500 (equal weight) posted a total return of 3.88%, vs. 7.26% for the non-payers (137), according to Standard & Poor's. In 2009, the payers were up 26.18%, vs. a gain of 65.32% for the non-payers. The number of dividend increases in 2009 totaled 151. That significantly lagged the 236 increases registered in 2008. The number of companies that decreased their dividend totaled 68, up from 40 a year ago. Ten companies suspended their dividend payments, down from 22 a year ago. The Q4'09 edition of the <i>Investment Manager Outlook</i> (released December 16), a survey of investment managers conducted by Russell Investment Group, found that nearly 80% of those money managers polled expect the U.S. equity market will rise over the next 12 months. Managers are most bullish on the following: U.S. Large-Cap Growth (72%); Emerging Market Equities (69%); Non-U.S. (Developed Market) Equities (66%); U.S. Mid-Cap Growth (59%); and U.S. Small-Cap Growth (54%). The sectors managers are most bullish on are Technology (82%), Energy (64%) and Materials/Processing (58%). Bloomberg surveyed strategists from Wall Street's largest firms and found the average 2010 price target for the S&P 500 is 1225 (+9.82%).
S&P 500	1.9%	26.5%	
DJIA	1.0%	22.7%	
NASDAQ 100	5.3%	54.6%	
S&P 400	6.3%	37.4%	
Russell 2000	8.1%	27.2%	
MSCI World (ex U.S.) (USD)	1.6%	34.1%	
MSCI Emerging Markets (USD)	4.0%	78.2%	
Growth/Value (Source: Bloomberg)	Dec.	2009	
S&P 500 Citigroup Growth	2.1%	31.6%	
S&P 500 Citigroup Value	1.8%	21.2%	
S&P Midcap 400/Citigroup Growth	5.6%	41.2%	
S&P Midcap 400/Citigroup Value	7.1%	33.8%	
Russell 2000 Growth	8.6%	34.5%	
Russell 2000 Value	7.6%	20.6%	



The Bond Market

Index (Source: Barclays)	Dec.	2009	Yield	The yield on the 10-Yr. T-Bond rose 64 basis points in December closing at 3.84% – 163 basis points above its close (2.21%) on 12/31/08. The top performing major debt group by far in 2009 was High Yield Corporates. Bank of America Merrill Lynch analyst Jeffrey Rosenberg believes that high yield corporate bonds ("junk bonds") will outperform investment-grade securities in 2010, according to Bloomberg. With defaults slowing and the economy strengthening, he sees high yield debt returning around 10%, vs. 2-3% for investment-grade debt. The U.S. speculative-grade default rate stood at 13.7% in November, unchanged from 13.7% (revised from 13.4%) in October. Moody's is now forecasting the rate will close December at 13.1%, and then decline sharply to 4.3% by November 2010.
U.S. Treasury: Intermediate	-2.10%	-1.41%	2.14%	
GNMA 30 Year	-1.55%	5.37%	4.37%	
Municipal Bond (22+)	1.33%	23.43%	5.22%	
U.S. Aggregate	-1.56%	5.93%	3.68%	
Intermediate Corporate	-0.61%	18.56%	4.24%	
U.S. Corporate High Yield	3.28%	58.21%	9.06%	
Global Aggregate	-3.76%	6.93%	3.07%	
Global Emerging Markets	-0.46%	35.61%	6.40%	

Key Rates as of December 31		Key Yield Spread		2009 Debt Issuance thru 11/09 (Source: Thomson Reuters)		
Fed Funds	0-0.25%	The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Bond was 538 basis points on 12/31/09, down from 661 on 11/30/09. It was 1,732 on 12/31/08. (Source: Bloomberg)		Debt Category	\$ Amount	% change over '08
2-Yr. T-Note	1.14%			Treasury	\$1.85 Trillion	+116.7%
10-Yr. T-Bond	3.84%			Corporate	\$821.3 Billion	+20.4%
30-Yr. Mortgage	5.34%			Convertible	\$27.7 Billion	-33.5%
Bond Buyer 40	5.40%			Asset-Backed	\$160.1 Billion	+18.1%
(Source: Bloomberg)				Municipal	\$373.7 Billion	+1.3%

The Investment Climate

Net cash outflows from equity funds totaled \$2.8 billion in 11/09, vs. \$7.1 billion of outflows in 10/09, according to the Investment Company Institute. Bond fund inflows totaled \$36.2 billion, vs. \$44.9 billion of inflows in 10/09. Money Market fund outflows totaled \$46.7 billion, vs. \$71.8 billion of outflows in 10/09. Y-T-D thru November, equity fund outflows totaled \$4.1B, vs. \$348.9B of bond fund inflows & \$534.7B of MMF outflows.

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	1115.1	-28.75%	26.46%	2.11%
S&P 500/Citigroup Growth	953.77	03/27/00	363.99	03/09/09	582.37	-38.94%	31.58%	1.52%
S&P 500/Citigroup Value	836.19	07/13/07	307.16	03/09/09	525.07	-37.21%	21.17%	2.71%
S&P 400	926.23	07/13/07	372.88	10/09/02	726.67	-21.55%	37.38%	1.55%
S&P 400/Citigroup Growth	383.7	06/05/08	162.27	10/09/02	314.2	-18.11%	41.23%	0.98%
S&P 400/Citigroup Value	361.18	06/04/07	122.86	02/25/00	264.04	-26.90%	33.77%	2.12%
S&P 100	832.65	03/24/00	322.13	03/09/09	514.09	-38.26%	22.27%	2.20%
DJIA	14164.53	10/09/07	6547.05	03/09/09	10428.05	-26.38%	22.68%	2.64%
NASDAQ 100	4704.73	03/27/00	804.64	10/07/02	1860.31	-60.46%	54.63%	0.66%
Russell 2000	855.77	07/13/07	327.04	10/09/02	625.39	-26.92%	27.17%	1.32%
Russell 2000 Growth	498.17	03/27/00	169.69	10/09/02	343.25	-31.10%	34.47%	0.62%
Russell 2000 Value	1276.63	06/04/07	465.24	04/14/00	865.82	-32.18%	20.58%	1.98%
Russell 3000	907.58	10/09/07	389.61	03/09/09	653.13	-28.04%	28.36%	1.98%
MSCI World x U.S. (USD)	2389.57	10/31/07	809.32	03/12/03	1597.28	-33.16%	34.12%	N/A
MSCI Emerging Markets (USD)	1338.49	10/29/07	245.64	09/21/01	989.47	-26.08%	78.29%	N/A
Bovespa/Brazil (USD)	73516.81	05/20/08	8370.88	10/16/02	68588.406	-6.70%	87.26%	2.69%
RTS/Russia (USD)	2487.92	05/19/08	131.02	01/03/01	1444.61	-41.94%	132.31%	1.19%
Bombay SE 500/India (USD)	8882.28	01/07/08	792.18	09/21/01	6842.25	-22.97%	92.60%	0.99%
Shanghai Composite/China (USD)	6092.057	10/16/07	1011.499	07/11/05	3277.139	-46.21%	82.62%	1.22%
Hang Seng (USD)	31638.22	10/30/07	8409.01	04/25/03	21872.5	-30.87%	56.63%	2.46%
MSCI Euro (USD)	1590.66	03/06/00	539.93	03/09/09	878.7	-44.76%	28.22%	3.74%
S&P Consumer Discretionary	318.54	06/04/07	125.72	03/09/09	235.07	-26.20%	41.33%	2.55%
S&P Consumer Staples	306.61	12/10/07	150.55	03/14/00	274.3	-10.54%	14.89%	2.90%
S&P Energy	668.81	05/20/08	163.83	07/23/02	429.95	-35.71%	13.86%	2.10%
S&P Utilities	223.91	12/10/07	77.27	10/09/02	157.99	-29.44%	11.91%	4.23%
S&P Financials	509.55	02/20/07	81.74	03/06/09	193.78	-61.97%	17.24%	1.55%
S&P Banks	414.38	02/20/07	49.02	03/05/09	125.35	-69.75%	-6.59%	1.89%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	346.6	-48.77%	28.30%	4.00%
S&P Health Care	444.98	12/28/00	252.84	03/05/09	362.22	-18.60%	19.70%	2.03%
S&P Pharmaceuticals	496.83	12/28/00	214.5	03/03/09	306.36	-38.34%	18.61%	3.59%
NYSE Arca Biotechnology	964.97	09/21/09	280.09	07/10/02	942.13	-2.37%	45.58%	1.70%
S&P Information Technology	988.49	03/27/00	172.88	10/09/02	370.71	-62.50%	61.72%	0.84%
Philadelphia Semiconductor	1332.73	03/10/00	171.32	11/20/08	359.91	-72.99%	72.56%	1.16%
S&P Telecom Services	322.81	12/31/99	79	09/30/02	114.64	-64.49%	8.93%	5.42%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	242.99	-36.25%	20.93%	2.48%
S&P Materials	285.91	05/16/08	102.55	10/09/02	199.81	-30.11%	48.57%	1.79%
Philadelphia Gold & Silver	206.37	03/14/08	41.85	11/17/00	168.25	-18.47%	36.63%	0.51%
Reuters/Jefferies CRB	473.52	07/02/08	183.52	10/22/01	283.38	-40.15%	23.46%	N/A
Merrill Lynch Perpetual Preferred	197.851	05/08/07	51.791	03/09/09	134.765	-31.89%	26.61%	7.73%
Merrill Lynch High Yield Master II	226.931	12/31/09	106.667	10/10/02	226.931	0.00%	58.10%	9.22%