

The Economy

There might be plenty of room for debate over the effectiveness of the Troubled Asset Relief Program (TARP) and where taxes are headed after the mid-term election, but some economic news is hard to refute. For example, the ISM Manufacturing Index remains above a reading of 50 (54.4), which signals expansion. Manufacturers created 145,000 new jobs in the first 8 months of 2010, according to the Bureau of Labor Statistics. The American Bankers Association just released a report saying that credit card delinquencies (late by 30 days or more) stood at 3.62% in Q2'10, below the 15-yr. avg. of 3.93%.

Consumer Confidence 48.5 (Sep) 53.5 (Aug)	Crude Oil (Mo.-End) \$79.97 (Sep) \$71.92 (Aug)	Personal Spending 0.4% (Aug) July was 0.4%	ISM Manufacturing 54.4 (Sep) 56.3 (Aug)	ISM Non-Manufacturing 53.2 (Sep) 51.5 (Aug)
Gold (Mo.-End) \$1307.80 (Sep) \$1249.00 (Aug)	Natural Gas (Mo.-End) \$3.87 (Sep) \$3.82 (Aug)	Factory Orders -0.5% (Aug) July was 0.1%	New Home Sales 288,000 (Aug) 276,000 (Jul)	Existing Home Sales 4.13M (Aug) 3.83M (Jul)

The Stock Market

Indices (Source: Bloomberg)	Sep	12-mo.	One hundred and thirty-three out of the 134 subsectors (99.3%) that comprise the S&P 500 posted a gain in September, up from 18 last month. Information Technology was the top performing major sector, up 12.1%, according to S&P. In Sept., the dividend-payers (368) in the S&P 500 (equal weight) posted a total return of 6.77%, vs. 7.51% for the non-payers (132), according to S&P.Y-T-D, the payers were up 6.11%, vs. a gain of 3.85% for the non-payers. For the 12-month period ended Sept., payers were up 13.90%, vs. a gain of 9.56% for the non-payers. The number of dividend increases year-to-date totaled 177, up from 108 increases a year ago. Two companies decreased their dividends, down from 62 a year ago. The Q3'10 edition of the <i>Investment Manager Outlook</i> (released 9/22), a survey of investment managers conducted by Russell Investment Group, found that 57% of those money managers polled believe U.S. equities are undervalued, up from 47% last quarter. Managers noted that valuations have not been this attractive since 12/08. They are most bullish on the following asset classes: Emerging Market Equities (71%), U.S. Large-Cap Growth (66%); U.S. Mid-Cap Growth (57%); and U.S. Large-Cap Value (56%). The asset classes managers are least bullish on are Treasuries (9%) and Cash (10%). The sectors managers are most bullish on are Tech (69%), Energy (51%) and Materials and Processing (48%).
S&P 500 DJIA NASDAQ 100 S&P 400 Russell 2000 Russell 3000 MSCI World (ex U.S.) (USD) MSCI Emerging Markets (USD)	8.9% 7.9% 13.1% 11.3% 12.5% 9.4% 9.6% 11.1%	10.2% 14.2% 17.0% 17.8% 13.4% 11.0% 4.8% 20.4%	
Growth/Value (Source: Bloomberg)	Sep	12-mo.	
S&P 500 Citigroup Growth S&P 500 Citigroup Value S&P Midcap 400/Citigroup Growth S&P Midcap 400/Citigroup Value Russell 2000 Growth Russell 2000 Value	10.1% 7.7% 12.4% 10.2% 14.2% 10.7%	11.7% 8.6% 20.6% 15.3% 14.8% 11.9%	

U.S. Dollar (U.S. Trade-Weighted Basket) -4.2% (Sep) -0.6% (2010) \$ was down 5.9% in '09	CBOE Total Equity Options (# of contracts in millions) Sep: 39.1 (+1.6%) Aug: 38.5 (-8.1%) Record 7/08: 67.2 million	Short Interest (NYSE) Sep 15: 14.36B (+4.4%) Aug 13: 13.75B (0.0%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 23.70 (9/30) 26.05 (8/31) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays)	Sep	12-Mo.	Yield	At the risk of sounding like a broken record, the top performing groups for the month were speculative-grade issues. Dealogic reported that the volume of high yield bonds sold worldwide so far this year totaled a record \$231.9 billion, up 55% from this point last year, according to SmartMoney.com. The volume of investment grade bonds was down 40%. The number of credit rating upgrades topped downgrades in the U.S. high-yield segment of the bond market in 7 of the first 8 months this year, according to Standard & Poor's. The only negative month was July. There were 21 upgrades in August, compared to 12 downgrades. Y-T-D through August, the total number of upgrades was 171, compared to 111 downgrades. S&P points to stronger operating performance, higher profits, and repayment of debt for the strong showing.
U.S. Treasury: Intermediate GNMA 30 Year Municipal Bond (22+) U.S. Aggregate Intermediate Corporate U.S. Corporate High Yield Global Aggregate Global Emerging Markets	0.28% -0.42% 0.30% 0.11% 0.97% 3.01% 2.35% 2.71%	6.53% 6.74% 6.56% 8.16% 11.55% 18.44% 6.06% 14.78%	1.10% 3.24% 4.59% 2.56% 2.99% 7.80% 2.34% 5.25%	

Key Rates as of September 30 Fed Funds 0-0.25% 2-Yr. T-Note 0.43% 10-Yr. T-Bond 2.51% 30-Yr. Mortgage 4.47% Bond Buyer 40 4.87% (Source: Bloomberg)	Key Yield Spread The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Bond was 561 basis points on 9/30/10, down from 615 on 8/31/10. It was 700 on 9/30/09. (Source: Bloomberg)	2010 Debt Issuance through August (Source: Thomson Reuters) <table border="1"> <thead> <tr> <th>Debt Category</th> <th>\$ Amount</th> <th>% change over '09</th> </tr> </thead> <tbody> <tr> <td>Treasury</td> <td>\$1.59 Trillion</td> <td>+14.5%</td> </tr> <tr> <td>Corporate</td> <td>\$605.2 Billion</td> <td>+1.8%</td> </tr> <tr> <td>Convertible</td> <td>\$20.8 Billion</td> <td>+12.0%</td> </tr> <tr> <td>Asset-Backed</td> <td>\$81.5 Billion</td> <td>-14.0%</td> </tr> <tr> <td>Municipal</td> <td>\$262.5 Billion</td> <td>+1.4%</td> </tr> </tbody> </table>	Debt Category	\$ Amount	% change over '09	Treasury	\$1.59 Trillion	+14.5%	Corporate	\$605.2 Billion	+1.8%	Convertible	\$20.8 Billion	+12.0%	Asset-Backed	\$81.5 Billion	-14.0%	Municipal	\$262.5 Billion	+1.4%
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Equity funds reported net cash outflows totaling \$16.5 billion in 8/10, vs. \$10.5 billion of outflows in 7/10, according to the Investment Company Institute. Bond fund inflows totaled \$30.6 billion, vs. \$30.0 billion of inflows in 7/10. Money Market fund inflows totaled \$19.0 billion, vs. \$6.2 billion of outflows in 7/10. Y-T-D through August, equity funds reported net outflows totaling \$18.2 billion, vs. \$216.1 billion of inflows for bond funds and \$496.4 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	1141.20	-27.09%	3.89%	1.96%
S&P 500/Citigroup Growth	824.28	10/05/00	363.99	03/09/09	596.17	-27.67%	3.64%	1.57%
S&P 500/Citigroup Value	836.19	07/13/07	307.16	03/09/09	537.25	-35.75%	4.15%	2.36%
S&P 400	926.23	07/13/07	372.88	10/09/02	802.10	-13.40%	11.57%	1.39%
S&P 400/Citigroup Growth	383.70	06/05/08	162.27	10/09/02	355.87	-7.25%	14.00%	0.83%
S&P 400/Citigroup Value	361.18	06/04/07	135.55	10/09/02	284.15	-21.33%	9.24%	1.98%
S&P 100	764.45	10/05/00	322.13	03/09/09	514.66	-32.68%	1.77%	2.14%
DJIA	14164.53	10/09/07	6547.05	03/09/09	10788.05	-23.84%	5.57%	2.59%
NASDAQ 100	3457.97	10/02/00	804.64	10/07/02	1998.04	-42.22%	7.97%	0.86%
Russell 2000	855.77	07/13/07	327.04	10/09/02	676.14	-20.99%	9.13%	1.34%
Russell 2000 Growth	455.25	10/10/07	169.69	10/09/02	376.60	-17.28%	10.23%	0.69%
Russell 2000 Value	1276.63	06/04/07	469.32	03/09/09	921.67	-27.80%	7.93%	2.02%
Russell 3000	907.58	10/09/07	389.61	03/09/09	674.75	-25.65%	4.78%	1.85%
MSCI World x U.S. (USD)	5379.90	10/31/07	1636.59	03/12/03	3890.64	-27.68%	1.66%	N/A
MSCI Emerging Markets (USD)	473.35	10/29/07	75.12	09/21/01	407.15	-13.99%	10.75%	N/A
Bovespa/Brazil (USD)	44638.24	05/19/08	2160.80	10/16/02	41000.23	-8.15%	4.04%	3.18%
RTS/Russia (USD)	2487.92	05/19/08	131.02	01/03/01	1507.66	-39.40%	6.68%	1.64%
Bombay SE 500/India (USD)	226.04	01/07/08	16.50	09/21/01	177.65	-21.41%	22.12%	1.11%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	396.83	-51.02%	-15.91%	1.57%
KOSPI/South Korea (USD)	2.29	10/31/07	0.36	04/04/01	1.64	-28.35%	13.99%	1.31%
Hang Seng (USD)	4082.25	10/30/07	1078.13	04/25/03	2881.50	-29.41%	5.06%	2.79%
MSCI Euro (USD)	1988.53	10/31/07	598.84	03/12/03	1138.73	-42.74%	-6.44%	3.83%
S&P Consumer Discretionary	318.54	06/04/07	125.72	03/09/09	263.53	-17.27%	13.37%	1.45%
S&P Consumer Staples	306.61	12/10/07	182.72	03/10/03	288.27	-5.98%	7.54%	2.96%
S&P Energy	668.81	05/20/08	163.83	07/23/02	419.27	-37.31%	-0.84%	2.20%
S&P Utilities	223.91	12/10/07	77.27	10/09/02	159.37	-28.82%	4.32%	4.28%
S&P Financials	509.55	02/20/07	81.74	03/06/09	193.18	-62.09%	0.51%	1.20%
S&P Banks	414.38	02/20/07	49.02	03/05/09	125.46	-69.72%	0.79%	1.03%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	400.92	-40.74%	19.10%	3.58%
S&P Health Care	444.98	12/28/00	252.84	03/05/09	353.75	-20.50%	-0.71%	2.16%
S&P Pharmaceuticals	496.83	12/28/00	214.50	03/03/09	300.45	-39.53%	0.88%	3.63%
NYSE Arca Biotechnology	1253.57	03/23/10	280.09	07/10/02	1157.87	-7.63%	22.90%	1.38%
S&P Information Technology	712.16	10/02/00	172.88	10/09/02	367.86	-48.35%	-0.04%	0.92%
Philadelphia Semiconductor	863.06	10/04/00	171.32	11/20/08	349.24	-59.53%	-1.96%	1.19%
S&P Telecom Services	246.91	10/31/00	79.00	09/30/02	121.54	-50.78%	10.83%	5.35%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	270.82	-28.95%	13.32%	2.14%
S&P Materials	285.91	05/16/08	102.55	10/09/02	202.21	-29.27%	2.66%	1.79%
Philadelphia Gold & Silver	206.37	03/14/08	41.85	11/17/00	196.96	-4.56%	17.75%	0.64%
Reuters/Jefferies CRB	473.52	07/02/08	183.52	10/22/01	286.86	-39.42%	1.23%	N/A
Merrill Lynch Perpetual Preferred	197.85	05/08/07	51.79	03/09/09	153.96	-22.18%	14.25%	7.08%
Merrill Lynch High Yield Master II	253.35	09/30/10	106.67	10/10/02	253.35	0.00%	11.64%	8.12%