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February 2010 - Equity Index & Sector Review

February 2, 2010

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Equity Indexes Down in January. All major U.S. Equity Indexes declined in January 2010 as table 1 lists the monthly returns (including dividends) for the S&P 500 Index, Dow Jones Industrial Average (DJIA), Russell 1000 (all market), Nasdaq Composite, Russell 2000 (small cap), and S&P Midcap 400 Indexes. The Nasdaq Composite led on the downside, declining 5.3%. Each of the other indexes was similar in total return, ranging from the S&P Midcap's 3.2% decline to a 3.6% drop in the S&P 500. The index weekly trends in Table 4 (page 4) show that U.S. equities declined for three consecutive weeks, after a gain in the first week of January.

The most recent negative month for U.S. equities was October 2009 (with the exception of the DJIA, which was flat in 10/09); prior to that most of the indexes had not had a down month since February 2009. January 2010 was marked by profit taking in equities, political uncertainty, muted, but positive economic data, better than expected Q4 GDP data, a preponderance of better than expected Q4 corporate earnings reports, and cautious optimism from many management teams of publicly-traded companies. Despite equity values that remain well-above market lows from March 2009, most of the indexes are 55%-60% below the bull market highs reached in Q4 of 2007 (Bear Market Hi/Lo Matrix on page 4).

Table 1: Total Return of Major U.S. Equity Indexes

(includes dividends)

as of 1/31/10

| <i>% Changes</i> | S&P 500 | Dow Jones Industrials | Russell 1000 | Nasdaq Composite | Russell 2000 | S&P MidCap |
|-------------------------------------|--------------|-----------------------|--------------|------------------|--------------|--------------|
| January 2010 | -3.60% | -3.32% | -3.60% | -5.34% | -3.68% | -3.21% |
| 2010 Q1 | -3.6% | -3.3% | -3.6% | -5.3% | -3.7% | -3.2% |
| <i>Index Value (closing prices)</i> | | | | | | |
| 1/31/2010 | 1073.87 | 10067.33 | 589.41 | 2147.35 | 602.04 | 702.80 |
| 12/31/2009 | 1115.10 | 10428.00 | 612.01 | 2269.15 | 625.39 | 726.67 |
| 12/31/2008 | 903.25 | 8776.39 | 487.77 | 1577.03 | 499.45 | 538.28 |

Five of Nine S&P Sectors Beat the Index. Although only the S&P Healthcare (XLV) was positive in January (+0.7%) five performed better than the -3.7% price decline of the index (table 2). In addition to Healthcare, relative out performers were, Consumer Staples (XLP) -1.0%, Industrials (XLI) -1.5%, Financials -1.5%, and Consumer Discretionary (XLY) -2.9%. The relative strength of Healthcare and Staples supports the argument that investors have increased allocations to defensive sectors.

Technology/Telecom (XLK) -8.6% and Materials (XLB) -8.6% were the two worst performing S&P sectors in January. By a wide margin these sectors led the market in 2009 (XLK was up 48.8% and XLB increased 45.1%). This supports the argument that investors were taking profits in strong performing sectors. Table 5 (page 4) shows the sector percentage moves from the March 2009 lows. On that basis the top performing sector was Financials (XLF) +129%. The smallest gain was Utilities (XLU) +30%.

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Table 2: January Ranked Sector Returns

S&P Select Sector ETFs Closing Values and Percentage Change

| | Ticker | Price 1/31/10 | January % Change | 2009 % Change |
|--------------------------|------------|------------------|---------------------|------------------|
| Healthcare | XLV | 31.28 | 0.7% | 17.0% |
| Consumer Staples | XLP | 26.20 | -1.0% | 10.9% |
| Industrials | XLI | 27.38 | -1.5% | 18.7% |
| Financials | XLF | 14.18 | -1.5% | 15.0% |
| Consumer Discretionary | XLY | 28.91 | -2.9% | 38.0% |
| S&P 500 Index | SPX | 1073.87 | -3.7% | 23.5% |
| Energy | XLE | 54.50 | -4.4% | 19.3% |
| Utilities | XLU | 29.53 | -4.4% | 6.9% |
| Technology/Telecom | XLK | 20.96 | -8.6% | 48.8% |
| Materials | XLB | 30.14 | -8.6% | 45.1% |

prices as of 1/31/10 close (no dividends), Thomson ONE data

Foreign Markets Lagged the U.S. With the exception of Japan (EWJ, +1.0%) and Sweden (EWD, -3.3%) all of the foreign equity ETFs we track declined more than the U.S. large caps in January. Interestingly, Japan was the worst performing foreign market in 2009, only to lead in January; and Brazil (EWZ, -13.3%) and BRIC (BKF, -10.5% in January) the two top performers last year were the bottom performers to start 2009. Again this suggests profit taking and value seeking, so we will watch for a sustainable trend.

Other moves were less obvious, European equities lagged the U.S. but also the U.S. dollar gained 3.3% against the Euro in January, explaining much of the relative gain (the exchange rate was \$1.432/euro on 12/31/09 and \$1.386/euro on 1/31/10). Italy (EWI, -9.3%) and Spain (EWP, -10.3%) were among the weakest performing European countries, and are suffering from debt downgrades and investor exodus. In addition to Portugal, Ireland, and Greece (not in our table), Italy and Spain are countries in the PIIGS acronym that investors have used to identify economic weakness in that part of the world.

Table 3: International Equities

(selected group of Exchange Traded Funds (ETFs) iShares, thru 1/31/10)

(Ranked by January 2010 returns)

Percentage Returns

| Country | Ticker | Price | Jan. '10 | 2009 |
|----------------------------------|--------|-------|----------|--------|
| Japan | EWJ | 9.84 | 1.0% | 1.7% |
| Sweden | EWD | 22.72 | -3.3% | 51.0% |
| Netherlands | EWN | 19.68 | -3.8% | 37.1% |
| South Korea | EWY | 45.44 | -4.6% | 70.3% |
| Great Britain | EWU | 15.43 | -4.8% | 32.2% |
| EAFE (Europe, Far East) | EFA | 52.48 | -5.1% | 23.2% |
| Mexico | EWX | 46.00 | -5.9% | 51.4% |
| Australia | EWA | 21.10 | -7.6% | 63.0% |
| France | EWQ | 23.83 | -7.8% | 23.5% |
| China HK | FCHI | 49.72 | -8.4% | 50.7% |
| China 25 | FXI | 38.36 | -9.2% | 45.3% |
| Italy | EWI | 17.70 | -9.3% | 19.0% |
| Germany | EWG | 20.34 | -9.4% | 16.8% |
| Spain | EWP | 43.09 | -10.3% | 27.0% |
| BRIC (brazil,russia,india,china) | BKF | 41.03 | -10.5% | 83.6% |
| Brazil | EWZ | 64.69 | -13.3% | 113.2% |

prices as of 1/31/10 close, Thomson ONE data

(Additional Information is Available Upon Request)

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Disclosure Section

References to Past Performance Are Not An Indicator Of Future Potential Returns

I, James Ragan certify that the views expressed in this note/report accurately reflect my personal views and that no part of my compensation was or will be directly or indirectly related to any recommendations.

Ratings History:

*Ratings Key: **Buy/Add** – Buy if you do not own or Add to existing positions. We believe that the shares offer an attractive reward versus risk profile over the next 12-18 months given current information and defined objectives. Shares seem undervalued based on current valuation measures and expectations. **Hold/Neutral** – We believe that the shares have strong attributes. However, strengths may be offset by internal or external issues. No perceptible catalyst given current information to make a Buy/Add or Sell/Avoid opinion. Shares seem fairly valued based on current valuation measures and expectations. **Sell/Avoid** – Sell if you own or Avoid if you do not own a position: We believe that there are internal and/or external issues that may impact fundamentals and/or the share price for an indefinite period. Shares seem over-valued based on current valuation measures and expectations.*

| Department | # | % | Growth | % | Income | % |
|-----------------|----------|------|--------|------|--------|------|
| Total Buys | 40 | 85% | 33 | 89% | 7 | 70% |
| Total Holds | 7 | 15% | 4 | 11% | 3 | 30% |
| Total Sells | 0 | 0% | 0 | 0% | 0 | 0% |
| Total Companies | 47 | 100% | 37 | 100% | 10 | 100% |
| As of: | 2/1/2010 | | | | | |

Distribution of Recommendations

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The analyst who prepared this report owns the following securities mentioned in the report: XLV.

Weekly Equity Index & Sector Report

Table 4
2009 Market Data (Major Indices)

| | S&P 500 (SPX) | DJIA (INDU) | Rus 1000 (RUI) | Nas Comp (COMP) | Rus 2000 (RUT) | S&P Midcap (MID) |
|-------------------------------|------------------|----------------|-------------------|--------------------|-------------------|---------------------|
| 12/31/09 | 1115.10 | 10428.00 | 612.01 | 2269.15 | 625.39 | 726.67 |
| 1/31/10 | 1073.87 | 10067.33 | 589.41 | 2147.35 | 602.04 | 702.80 |
| Jan 09 | -3.7% | -3.5% | -3.7% | -5.4% | -3.7% | -3.3% |
| Q1 Change | -3.7% | -3.5% | -3.7% | -5.4% | -3.7% | -3.3% |
| 12/31/09 | 1115.10 | 10428.00 | 612.01 | 2269.15 | 625.39 | 726.67 |
| weekly Chng | | | | | | |
| 1/8/10 | 1144.98 | 10618.20 | 629.08 | 2317.17 | 644.56 | 752.08 |
| weekly Chng | 2.7% | 1.8% | 2.8% | 2.1% | 3.1% | 3.5% |
| 1/15/10 | 1136.03 | 10609.60 | 623.72 | 2287.99 | 637.96 | 743.11 |
| weekly Chng | -0.8% | -0.1% | -0.9% | -1.3% | -1.0% | -1.2% |
| 1/22/10 | 1091.76 | 10173.00 | 600.11 | 2205.29 | 617.12 | 721.64 |
| weekly Chng | -3.9% | -4.1% | -3.8% | -3.6% | -3.3% | -2.9% |
| 1/29/10 | 1073.87 | 10067.33 | 589.41 | 2147.35 | 602.04 | 702.80 |
| weekly Chng | -1.6% | -1.0% | -1.8% | -2.6% | -2.4% | -2.6% |
| Q1 to Date YTD Chg | -3.7% | -3.5% | -3.7% | -5.4% | -3.7% | -3.3% |
| % Change from March lows | 61.1% | 55.6% | 62.7% | 69.7% | 75.7% | 76.6% |

**Bear Market Hi/Lo Matrix
based on closing prices**

| | | | | | | |
|-------------------|------------|------------|------------|------------|-----------|------------|
| last high | 1576.09 | 14198.10 | 858.63 | 2861.50 | 856.48 | 917.18 |
| (wk of) | (10/11/07) | (10/11/07) | (10/11/07) | (10/31/07) | (7/13/07) | (10/11/07) |
| 52-wk low | 666.79 | 6470.00 | 362.27 | 1265.50 | 342.59 | 397.97 |
| (intraday) | 3/6/09 | 3/6/09 | 3/6/09 | 3/9/09 | 3/9/09 | 3/6/09 |
| % Chg fr Hi | -57.7% | -54.4% | -57.8% | -55.8% | -60.0% | -56.6% |
| Curr Px | 1073.87 | 10067.33 | 589.41 | 2147.35 | 602.04 | 702.80 |
| fr high | -31.9% | -29.1% | -31.4% | -25.0% | -29.7% | -23.4% |
| Cycle Closing Low | 676.53 | 6547.00 | 367.55 | 1268.60 | 343.26 | 404.62 |
| | 3/9/09 | 3/9/09 | 3/9/09 | 3/9/09 | 3/2/09 | 3/9/09 |



Table 5 S&P Select Sector SPDRs

| Cons Disc XLY | Cons Stpls XLP | Energy XLE | Financials XLF | Healthcare XLV | Industrials XLI | Materials XLB | Tech/Telecom XLK | Utilities XLU |
|------------------|-------------------|---------------|-------------------|-------------------|--------------------|------------------|---------------------|------------------|
| 29.77 | 26.47 | 57.01 | 14.40 | 31.07 | 27.79 | 32.99 | 22.93 | 31.02 |
| 28.91 | 26.20 | 54.50 | 14.18 | 31.28 | 27.38 | 30.14 | 20.96 | 29.53 |
| -2.9% | -1.0% | -4.4% | -1.5% | 0.7% | -1.5% | -8.6% | -8.6% | -4.8% |
| -2.9% | -1.0% | -4.4% | -1.5% | 0.7% | -1.5% | -8.6% | -8.6% | -4.8% |
| 29.77 | 26.47 | 57.01 | 14.40 | 31.07 | 27.79 | 32.99 | 22.93 | 31.02 |
| 30.39 | 26.57 | 60.30 | 15.22 | 31.78 | 29.25 | 34.92 | 23.04 | 30.72 |
| 2.1% | 0.4% | 5.8% | 5.7% | 2.3% | 5.3% | 5.9% | 0.5% | -1.0% |
| 29.98 | 26.77 | 59.26 | 14.94 | 32.22 | 29.07 | 33.80 | 22.66 | 30.91 |
| -1.3% | 0.8% | -1.7% | -1.8% | 1.4% | -0.6% | -3.2% | -1.6% | 0.6% |
| 29.02 | 26.29 | 56.30 | 14.18 | 31.66 | 27.84 | 31.63 | 21.66 | 29.82 |
| -3.2% | -1.8% | -5.0% | -5.1% | -1.7% | -4.2% | -6.4% | -4.4% | -3.5% |
| 28.91 | 26.20 | 54.50 | 14.18 | 31.28 | 27.38 | 30.14 | 20.96 | 29.53 |
| -0.4% | -0.3% | -3.2% | 0.0% | -1.2% | -1.7% | -4.7% | -3.2% | -1.0% |
| -2.9% | -1.0% | -4.4% | -1.5% | 0.7% | -1.5% | -8.6% | -8.6% | -4.8% |
| 79.5% | 35.0% | 43.0% | 129.4% | 43.0% | 78.3% | 65.9% | 58.5% | 29.9% |

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Weekly Equity Index & Sector Report



Table 6 International Equities, iShares

| | <i>EAFE</i> <i>EFA</i> | <i>China 25</i> <i>FXI</i> | <i>China HK</i> <i>FCHI</i> | <i>Japan</i> <i>EWJ</i> | <i>Australia</i> <i>EWA</i> | <i>Mexico</i> <i>EWW</i> | <i>Brazil</i> <i>EWZ</i> | <i>So Korea</i> <i>EWY</i> | <i>BRIC</i> <i>BKF</i> | <i>U.K.</i> <i>EWU</i> | <i>France</i> <i>EWQ</i> | <i>Germany</i> <i>EWG</i> | <i>Italy</i> <i>EWI</i> | <i>Netherlands</i> <i>EWN</i> | <i>Spain</i> <i>EWP</i> | <i>Sweden</i> <i>EWD</i> |
|-------------------|---------------------------|-------------------------------|--------------------------------|----------------------------|--------------------------------|-----------------------------|-----------------------------|-------------------------------|---------------------------|---------------------------|-----------------------------|------------------------------|----------------------------|----------------------------------|----------------------------|-----------------------------|
| 12/31/09 | 55.28 | 42.26 | 48.81 | 9.74 | 22.84 | 48.87 | 74.61 | 47.64 | 45.85 | 16.20 | 25.85 | 22.44 | 19.51 | 20.46 | 48.04 | 23.50 |
| 1/0/00 | 52.48 | 38.36 | 44.72 | 9.84 | 21.10 | 46.00 | 64.69 | 45.44 | 41.03 | 15.43 | 23.83 | 20.34 | 17.70 | 19.68 | 43.09 | 22.72 |
| Jan 09 | -5.1% | -9.2% | -8.4% | 1.0% | -7.6% | -5.9% | -13.3% | -4.6% | -10.5% | -4.8% | -7.8% | -9.4% | -9.3% | -3.8% | -10.3% | -3.3% |
| Q1 Change | -5.1% | -9.2% | -8.4% | 1.0% | -7.6% | -5.9% | -13.3% | -4.6% | -10.5% | -4.8% | -7.8% | -9.4% | -9.3% | -3.8% | -10.3% | -3.3% |
| 12/31/09 | 55.28 | 42.26 | 48.81 | 9.74 | 22.84 | 48.87 | 74.61 | 47.64 | 45.85 | 16.20 | 25.85 | 22.44 | 19.51 | 20.46 | 48.04 | 23.50 |
| weekly Chng | | | | | | | | | | | | | | | | |
| 1/8/10 | 57.25 | 44.00 | 50.93 | 10.12 | 24.05 | 51.34 | 77.47 | 49.78 | 47.53 | 16.66 | 27.09 | 22.80 | 20.24 | 21.25 | 49.96 | 24.66 |
| weekly Chng | 3.6% | 4.1% | 4.3% | 3.9% | 5.3% | 5.1% | 3.8% | 4.5% | 3.7% | 2.8% | 4.8% | 1.6% | 3.7% | 3.9% | 4.0% | 4.9% |
| 1/15/10 | 57.05 | 41.45 | 48.42 | 10.47 | 23.64 | 50.09 | 73.54 | 49.40 | 46.26 | 16.69 | 26.52 | 22.44 | 19.93 | 21.06 | 48.57 | 24.67 |
| weekly Chng | -0.3% | -5.8% | -4.9% | 3.5% | -1.7% | -2.4% | -5.1% | -0.8% | -2.7% | 0.2% | -2.1% | -1.6% | -1.5% | -0.9% | -2.8% | 0.0% |
| 1/22/10 | 53.87 | 39.07 | 45.76 | 10.17 | 22.04 | 47.28 | 67.97 | 47.61 | 43.16 | 15.68 | 24.56 | 20.86 | 18.36 | 19.75 | 44.74 | 22.87 |
| weekly Chng | -5.6% | -5.7% | -5.5% | -2.9% | -6.8% | -5.6% | -7.6% | -3.6% | -6.7% | -6.1% | -7.4% | -7.0% | -7.9% | -6.2% | -7.9% | -7.3% |
| 1/29/10 | 52.48 | 38.36 | 44.72 | 9.84 | 21.10 | 46.00 | 64.69 | 45.44 | 41.03 | 15.43 | 23.83 | 20.34 | 17.70 | 19.68 | 43.09 | 22.72 |
| weekly Chng | -2.6% | -1.8% | -2.3% | -3.2% | -4.3% | -2.7% | -4.8% | -4.6% | -4.9% | -1.6% | -3.0% | -2.5% | -3.6% | -0.4% | -3.7% | -0.7% |
| Q1 to Date | -5.1% | -9.2% | -8.4% | 1.0% | -7.6% | -5.9% | -13.3% | -4.6% | -10.5% | -4.8% | -7.8% | -9.4% | -9.3% | -3.8% | -10.3% | -3.3% |
| YTD Chg | | | | | | | | | | | | | | | | |

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