WEALTH ADVISORS

ECONOMIC AND MARKET UPDATE

AUGUST 2009

CURRENT ECONOMIC CYCLE

Early Expansion → Middle Expansion → Late Expansion → Early Contraction → Middle Contraction → **Late Contraction** → Early Expansion

ECONOMIC NEWS

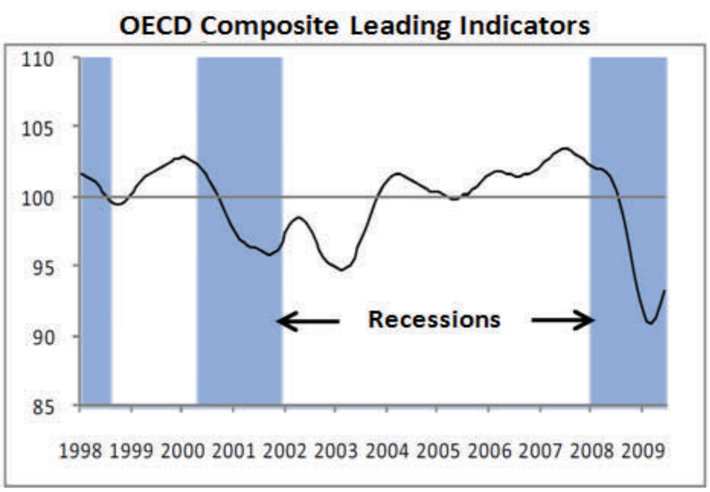
- The economy contracted in the 2nd quarter by -1%...showing signs of a bottoming...possibly turning positive in late 2009.
- However, long-term sustainability of growth remains in question due to limited consumer participation.
- With weakened spending due to job losses and the burden of an exploding Government deficit, a robust recovery is in question.

CURRENT ASSET CLASS ALLOCATIONS

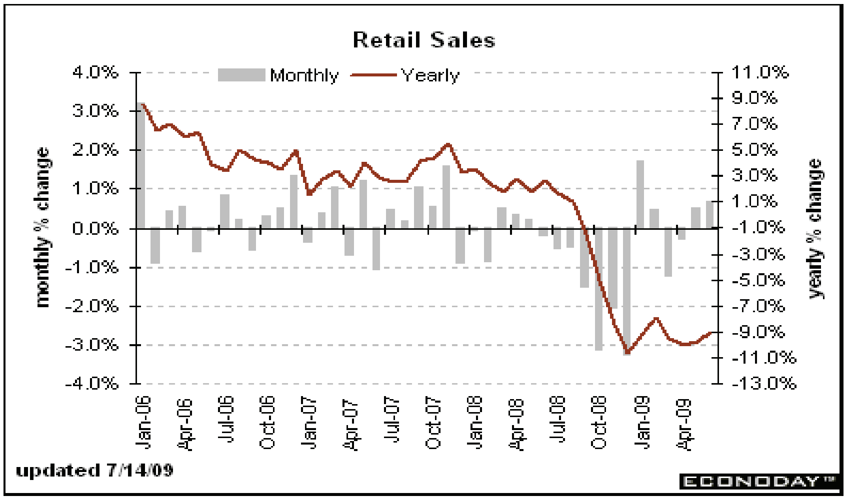
Cash & Equivalents	*Underweight*
Fixed Income	*Overweight*
Equities	*Moving to Target*

MARKET TRENDS

- Stocks registered new highs for 2009 with the rally based upon earnings not being as bad as expected.
- Improved earnings will come from reducing costs...not top line sales growth...limiting the upside for earnings growth.
- Global markets continue to improve as the U.S. dollar has fallen in response to the rapid increase in the national debt.



The graph shows tangible signs of improvement in the outlook for the economy with a possible trough in the OECD Composite Leading Indicators...the early signs of economic recovery.



Retail sales in June came in a little stronger than expected on increases in gasoline and motor vehicle sales. Excluding vehicle sales, retail sales gained 0.3%...but compared to June 2008….sales were still down 9%.

CURRENT THOUGHTS

Based upon numerous investor surveys, it appears that the fear and panic have been removed from the psyche of the markets. Until recently, this calmer view had not translated into dollars coming off the sideline and back into stocks, as prices rose on declining trading volume. Traditionally, as we move out of the summer months more investors return to the markets which should limit the downside if stocks prices pull back. Evidence indicates that banks have not begun to lend at anywhere near prior levels, which favors companies with low debt and strong balance sheets, like technology firms. In addition, with a weakening U.S. dollar, energy and commodity stocks should perform well through the year-end. Corporate bond yields usually drop during the first stages of a recovery, but over the long-term rates will rise in response to inflation that is the result of a weak currency. As the debate over healthcare reform continues, the markets will pay close attention to the price tag as deficit concerns mount.

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