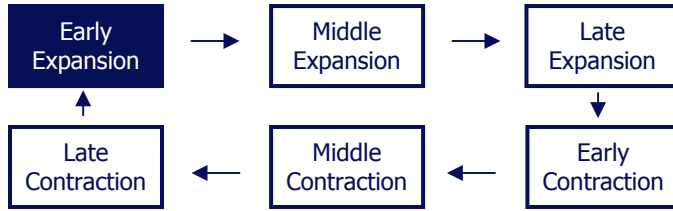


CURRENT ECONOMIC CYCLE



ECONOMIC NEWS

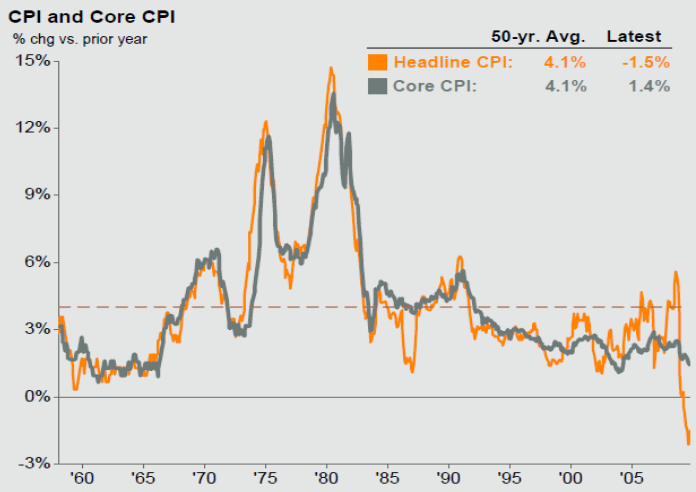
- Although inflation remains a long-term concern, at present, discretionary spending continues to fall resulting in deflation.
- GDP was positive, with revisions to 2.8%, but remains below levels that are considered indicative of normal economic growth.
- Corporate spending for capital improvements remains weak with the only stimulus coming from government funding, a short-term benefit at the cost of rapidly rising deficits.

CURRENT ASSET CLASS ALLOCATIONS

Cash & Equivalents	<i>Underweight</i>
Fixed Income	<i>Reducing to Target</i>
Equities	<i>Moving to Over Weight</i>

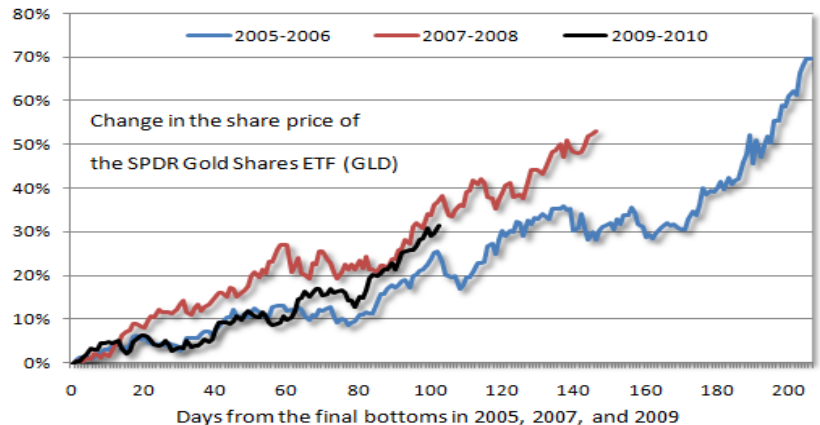
MARKET TRENDS

- Earnings continue to surprise to the upside, with the 4th quarter expected to actually show positive earnings growth.
- The possibility of default on sovereign debt from Dubai had a rippling effect through some foreign markets, including Greece.
- Gold has been the beneficiary of a declining U.S. dollar, but has become over-bought and is correcting. However, it remains fairly valued compared to historical price movements.



The Recurring Gold Bubble - View #1

Source: Yahoo! Finance



Overall we are currently seeing deflationary pressure as demand remains weak for discretionary items. But non-discretionary staples are showing cost increases due to rising commodity and energy prices.

The price of gold reached all-time highs before the recent correction. When compared to other price up-trends, this most recent move has not been as robust and could have more to go if the U.S. dollar continues to weaken. Concerns over other currencies could lead to purchases of gold as well.

CURRENT THOUGHTS

The economy continues to show signs of improvement, but the recovery must be kept in context. Corporate earnings should show positive growth for the first time in the 4th quarter since the downturn due to the weakness in the same period a year ago. Earnings growth will remain below normal until top line sales growth returns. Even though the unemployment picture is stabilizing, there will not be a significant drop in the unemployment rate until the weekly first time jobless claims drop below 390,000, currently reported at 474,000. There continues to be an inverse correlation between the U.S. dollar and stock prices, but if the dollar continues to decline there will come a point where stocks will be adversely impacted. Commodities, including gold and oil, have reached overbought territory and are experiencing a pullback, but the longer-term uptrend should remain in tact. There is some concern that the growth in the emerging markets is slowing, but it should remain stronger than the developed nations.

The purpose of update is to share some of our current views and research. Although we make every effort to be accurate in our content, data are derived from other sources. While we believe these sources to be reliable, we cannot guarantee their validity.