



THE ECONOMY AT A GLANCE

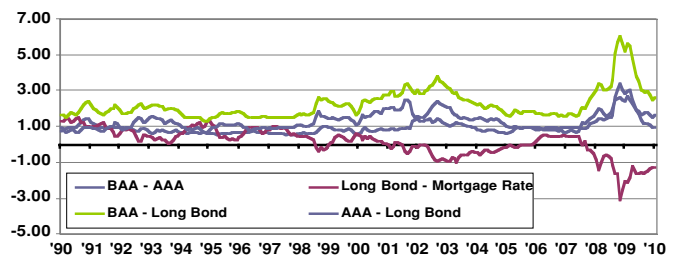
ECONOMIC HIGHLIGHTS

April 5, 2010
Vol. 77, No. 50

CORPORATE YIELD SPREAD TICKS HIGHER

The current spread between AAA-rated corporate bonds and government bonds is now 166 basis points, well above the 50-year average of 81 basis points. The gap between the government long bond yield and Baa-rated bonds (still investment grade) is now 265 basis points, versus a historical average of 179 bps. We do not think the economy will experience a double-dip recession, and think the extra yield available on financially strong corporate bonds is attractive for long-term investors.

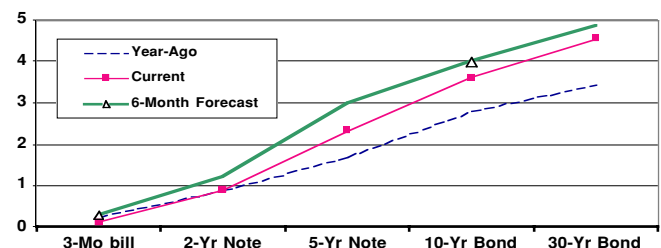
CORPORATE YIELD SPREAD



MARKET MOVING FOR THE FED

Another cosmetic hike in the discount rate is probably the Fed's next move, but that is unlikely for several months. With the government scheduled to end its new homebuyer tax credit in April, and quantitative easing ending this month, we expect nothing from the central bank until mid-year. The market is pricing in a rate hike by August/September 2010 – a bit later than the July projection a month ago. But exactly when the increase occurs doesn't really matter. Rates will be rising soon.

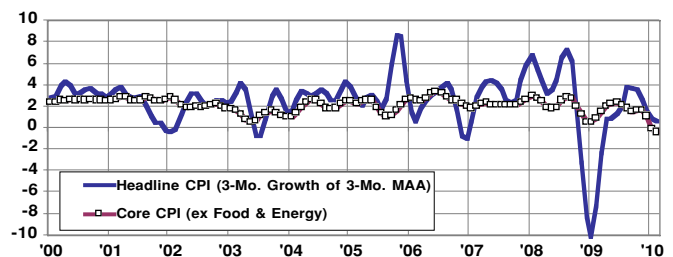
TREASURY YIELD CURVE & FORECAST



CURRENT INFLATION UNDER CONTROL

On a 3-month smoothed basis, which reduces the volatility of price swings, the core CPI has been flat to lower in recent months, and headline CPI – including energy and food prices – has been rising at rates below 2%. With this inflationary backdrop, the Fed's decision on March 16 to keep interest rates at current levels came as no surprise. But looking ahead, the Fed may not be able to assume that high unemployment and low consumer confidence will keep prices under wraps.

CPI TRENDS



ECONOMIC HIGHLIGHTS (CONTINUED)

HOUSING MARKET RECOVERY UNEVEN

The housing market recovery, which had been taking shape through most of 2009, has stalled in recent months. Indeed, the trends we follow – housing starts, new home sales and existing home sales – have all tailed off since last fall. The most common explanation has been seasonal factors, including the holidays and weather. But in January, new home sales actually fell below year-ago levels. And the upcoming expiration of the federal tax credit for home purchases, as well as the end of the Fed’s quantitative easing program, which has kept mortgage rates low, suggests a potentially challenging spring for the industry. The housing market (and the financial services sector) led the U.S. economy into recession, and we expect the Fed to keep rates low long enough to stabilize housing trends.

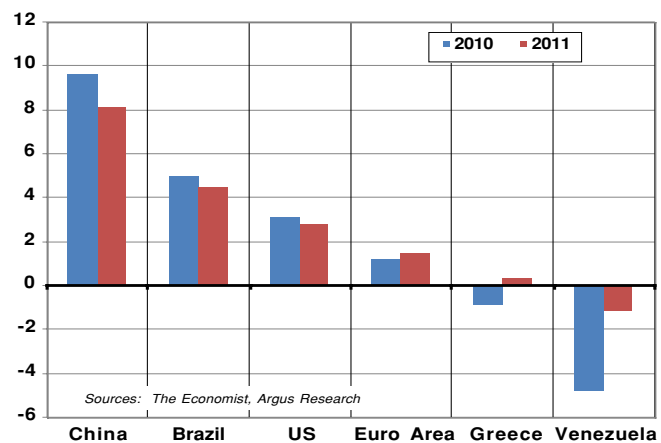
HOUSING INDUSTRY METRICS



GLOBAL GDP GROWTH RATES RISING

The greatest 2010 economic growth is anticipated in China, which economists expect will report GDP growth of up to 9.6% in 2010. Brazil is also expected to generate growth well above the global-growth average. Even estimates for growth in the mature U.S. and Canadian economies have recently been rising. In Japan and the Euro area, concerns remain. Both are expected to grow at rates below 2.0% in 2010, and the outlook for Europe has been deteriorating. Then we have the global trouble spots, including Greece, which is struggling with double-digit unemployment and high interest rates given the recent sovereign credit crisis; and Venezuela, where short-term interest rates are above 14% in order to quell inflation that is spiraling higher at a 27% rate.

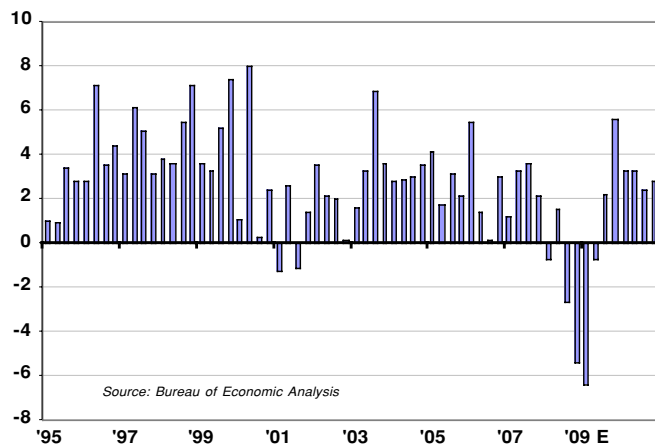
GLOBAL GDP GROWTH RATES & FORECASTS (RATES OF Y/Y GROWTH)



GDP GROWTH SLOWS, BUT STILL STRONG

We forecast above-trend GDP growth over the next two quarters based on several assumptions. First, we expect the dollar to resume its decline and to drive export demand. This should benefit Industrial manufacturing companies. Second, we expect the recovery in the Technology Sector to continue — and estimate 3.6% average growth for this group (7% of GDP) in 2010. The recent positive outlook from Qualcomm supports this view. Third, we assume that government spending growth will resume at an accelerated pace in an election year. A wildcard to the forecast is the outlook for the housing market. While we expect it to stabilize in 2010, the data from housing starts and new home sales, among other indicators, has been erratic in recent months.

REAL GDP

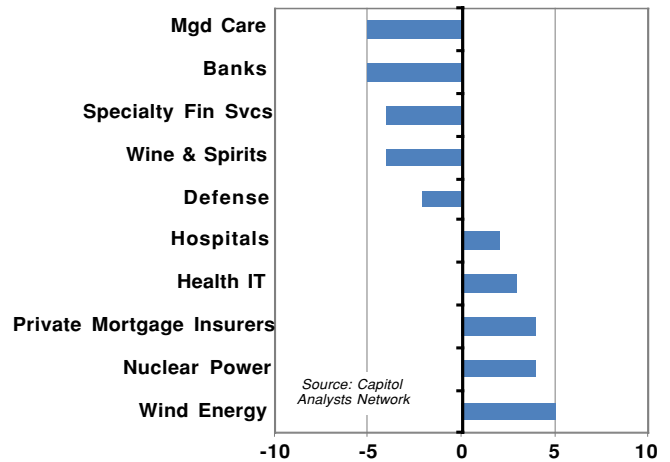


FINANCIAL MARKET HIGHLIGHTS

WHEN GOVERNMENT & INDUSTRY MIX

The Democratic Party controls the White House, the Senate and the House of Representatives and retains the power to pass legislation that can help or hurt specific industries. Argus works closely with a respected Washington research firm, Capitol Analysts Network (CAN), to incorporate political risk into its recommendations and ratings. Currently, CAN favors industries such as wind energy and nuclear power that may benefit from a comprehensive energy bill. Similarly, healthcare IT and hospitals may benefit from healthcare reform. The independent research firm is less sanguine on wine & spirits companies, as President Obama wants to eliminate the LIFO accounting option. And specialty financial services companies could be at risk if the focus turns to “protecting consumers.”

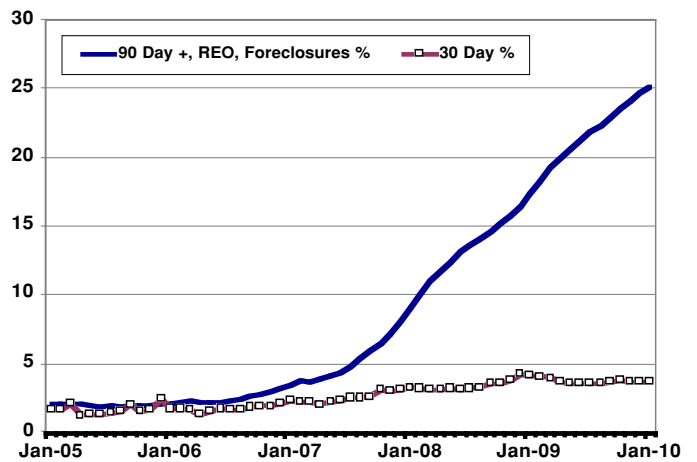
WASHINGTON OUTLOOK (CAN RATINGS)



MORTGAGE PICTURE STILL BLURRY

Nearly 25% of mortgage borrowers owe more than their home is worth. Many who can afford their payments are choosing to walk away, and unless the labor market begins to strengthen, negative equity could lead to another downturn in home prices. Other factors may also have an impact – an expanded tax credit for home purchases is about to expire and the Fed will stop buying mortgage securities at the end of March. Moreover, major banks and GSEs own a tremendous inventory of homes they’ve yet to put on the market. They have also delayed foreclosure through mortgage modifications that may not stick. New delinquencies (30 days) seem to have steadied. However, loans with payments over 90 days late, owned by a bank (REO), or in foreclosure, are a staggering 25% of total loans and still rising.

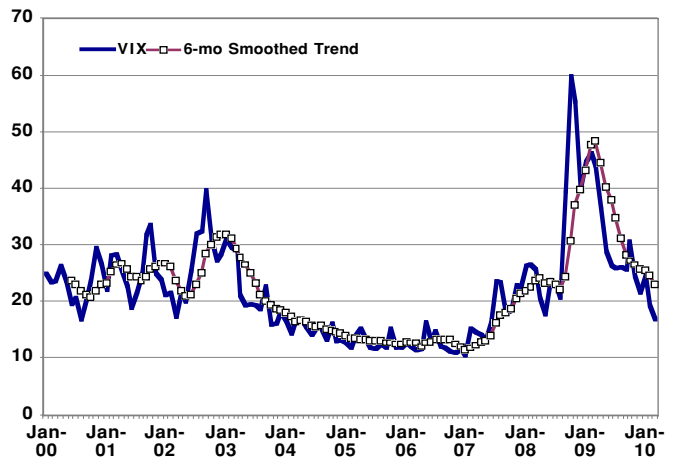
U.S. MORTGAGE DELINQUENCY



TOO MUCH CONFIDENCE?

During the current rally, investors have shown signs that they are no longer as concerned with risk as they were in 2008 and 2009. Small-cap stocks are outperforming large caps year-to-date by almost 350 basis points. In addition, the Volatility Index, the VIX, has declined to lows not seen since the spring of 2008, when risk was headed higher. Indeed, the VIX peaked in October 2008 at 89.5; the current reading is below 17. In recent weeks, the VIX has diverged from its six-month trend. Consequently, we would not be surprised to see a period of consolidation in the market over the next few weeks as investors take a breather and allow the markets to settle. This slowdown in the bull rally may take place during the 1Q corporate earnings season.

VOLATILITY TRENDS



ECONOMIC CALENDAR

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
Mon. 3/29	Personal Income	February	0.1%	0.2%	0.1%	N/A
	Consumer Spending	February	0.5%	0.3%	0.3%	N/A
Tue. 3/30	Consumer Confidence	March	46.0	46.5	50.0	N/A
Wed. 3/31	Chicago PMI	March	62.6	60.0	61.0	N/A
	Factory Orders	February	1.7%	1.7%	0.5%	N/A
Thur. 4/1	ISM Manufacturing Survey	March	56.5	56.0	57.0	N/A
	Construction Spending	February	-0.6%	0.3%	-1.0%	N/A
	Total Vehicle Sales	March	10.36M	10.5M	12M	N/A
Fri. 4/2	Nonfarm Payrolls	March	-36k	75k	200k	N/A
	Average Hourly Earnings	March	0.1%	0.1%	0.2%	N/A
	Unemployment Rate	March	9.7%	9.8%	9.7%	N/A
	Manufacturing Payrolls	March	1k	5k	10k	N/A
	Average Workweek	March	33.8 hrs.	35.0	33.9	N/A

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
Mon. 4/13	U.S. Trade Balance	February	-\$37.5	-\$36	N/A	N/A
	Import Price Index	March	-0.3%	0.1%	N/A	N/A
Tue. 4/14	Consumer Price Index	March	0.0%	0.2%	N/A	N/A
	CPI ex-Food & Energy	March	0.1%	0.2%	N/A	N/A
	Advance Retail Sales	March	0.3%	0.2%	N/A	N/A
	Retail Sales ex-Autos	March	0.8%	0.6%	N/A	N/A
	Business Inventories	February	0.0%	0.0%	N/A	N/A
	Fed's Beige Book	N/A	N/A	N/A	N/A	N/A
Wed. 4/15	NY State Manufacturing	February	22.8	24.0	N/A	N/A
	Industrial Production	March	0.1%	0.1%	N/A	N/A
	Capacity Utilization	March	72.7%	73.0%	N/A	N/A
	Philadelphia Fed	April	18.9	20.0	N/A	N/A
Thur. 4/16	Housing Starts	March	575k	550k	N/A	N/A
	U. of Michigan Confidence*	April	N/A	N/A	N/A	N/A

* Preliminary

** Advance

^Final

This report is provided to you by Perigon Wealth Management, LLC. The information and material presented in this report are for general information only and do not specifically address individual investment objectives, financial situations or the particular needs of any specific person who may receive this report. Nothing in this report constitutes individual investment, legal or tax advice. This report, prepared by Argus Research, is not an offer to sell or a solicitation of an offer to buy any security. Investors should seek financial advice regarding the suitability of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Investments involve risk and an investor may incur a profit or a loss. Services and products offered through Perigon Wealth Management, LLC are not insured by FDIC, not a deposit or obligation of, or guaranteed by, the depository institution and are subject to risks including the possible loss of principal amount invested. Past performance does not guarantee future results. Prices and yields quoted are subject to change. Perigon Wealth Management, LLC, its affiliates and subsidiaries, or its officers and employees may from time to time acquire, hold or sell securities or other derivatives related to such securities mentioned herein. Argus Research Company is an independent investment research provider and is not a member of the FINRA or the SIPC. Argus Research is not a registered broker dealer. The Argus trademark, service mark and logo are the intellectual property of Argus. The information contained in this research is produced and copyrighted by Argus, and any unauthorized use, duplication, redistribution or disclosure is prohibited by law and can result in prosecution. The content of this report may be derived from Argus research reports, notes, or analyses, and other important disclosures may be obtained on the Argus web site www.argusresearch.com. Investing in any security or investment strategies discussed may not be suitable for you and it is recommended that you consult an independent investment advisor. The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but Argus makes no representation as to their timeliness, accuracy or completeness. Argus may issue or may have issued other reports that are inconsistent with or may reach different conclusions than those represented in this report, and all opinions are reflective of judgments made on the original date of publication. Argus is under no obligation to ensure that other reports are brought to the attention of any recipient of this report. Argus shall accept no liability for any loss arising from the use of this report, nor shall Argus treat all recipients of this report as customers simply by virtue of their receipt of this material. Investments involve risk and an investor may incur either profits or losses. Past performance should not be taken as an indication or guarantee of future performance. Argus has provided independent research since 1934. Argus officers, employees, agents and/or affiliates may have positions in stocks discussed in this report.