



THE ECONOMY AT A GLANCE

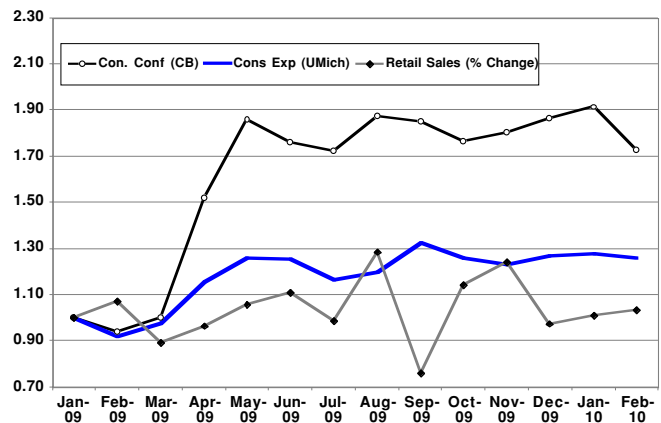
ECONOMIC HIGHLIGHTS

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CONSUMER COMING BACK

According to the Conference Board, Consumer Confidence was measured at 46 in February, down from 56.5 in January but up from 25.3 a year ago. In the spring of 2007, when consumers were flush with jobs and market gains, confidence topped 100. Consumer Expectations are also improving according to the University of Michigan survey, though expectations lag confidence a bit. How are consumers' feelings translating into retail sales? Here, the pattern is much more volatile, as seasonal factors come into play. The overall trend is higher versus a year ago, with sales up approximately 4%. We expect Consumer Confidence to resume its upward trek as the economy continues to grow and note that the measure in some respects is a lagging indicator.

CONSUMER SECTOR METRICS (INDEX 1/09 = 1.00)



TOP ETFs IN 2010: SMALL-CAPS & MID-CAPS

This year, a group of the largest ETFs has increased on average 3.4% year-to-date, led by the iShares Russell 2000 and the S&P 400 Midcap Spider. International ETFs hold down places No. 2 and 3. The most expensive of the leading ETFs, on a price/earnings basis, is the iShares Russell 2000 fund — which trades at 23-times earnings, according to ETF Advisor. Most ETFs appear to be clustered in the 13- to 17-times range. On a price/book basis, the outliers on the cheap side include iShares MSCI EAFE and iShares S&P 500 Value. Both also have above-average yields. Gold ETFs, which were popular in 2009, are not performing well in 2010 — which may offer a buying opportunity.

TOP EQUITY ETFs

Name	Ticker	AUM (\$BIL)	2010 Return	P/E	P/B	P/S	Yield
SPDR S&P 500	SPY	98.8	4.61%	14.3	1.8	1.1	2.0
iShares MSCI Emerg. Mkt.	EEM	37.1	-0.96%	11.6	1.6	1.4	2.7
iShares MSCI EAFE	EFA	35.5	0.42%	13.4	1.3	0.8	3.4
Powershares QQQ	QQQQ	19.4	4.92%	16.6	3.0	2.1	0.6
iShares Russell 2000	IWM	13.3	8.60%	22.7	1.5	0.8	1.6
S&P Midcap 400 Spider	MDY	9.0	8.28%	17.8	1.7	0.9	1.4
Dow Industrials	DIA	8.7	4.19%	13.1	2.2	1.2	2.7
S&P 500 Growth	IWW	6.3	2.86%	15.1	2.7	1.8	1.6
Market Vectors Gold Miners	GDX	5.3	-5.40%	19.6	1.9	4.1	0.6
S&P 500 Value	IVE	3.9	6.40%	13.6	1.4	0.8	2.4
Average				15.78	1.91	1.5	1.9

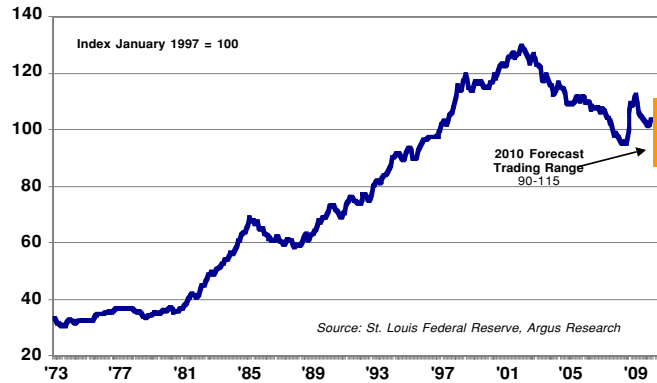
Sources: Barron's, ETF Advisor, Argus Research

ECONOMIC HIGHLIGHTS (CONTINUED)

DOLLAR PERKS UP, FOR NOW

Our forecast for the U.S. dollar calls for a renewed decline in 2010, after a slight uptick in the past four months. We think the dollar rally will be short-lived, and we look for the dollar to slide further in 2010, trading within a range of 93-115. Dollar weakness should benefit inflation-sensitive groups such as Materials and Energy, as well as export-heavy industries such as Industrials, Pharmaceuticals and Consumer Packaged Goods. Once the Fed starts to raise interest rates and unwind quantitative easing – likely after the mid-term elections — we anticipate the dollar could stabilize and begin to strengthen.

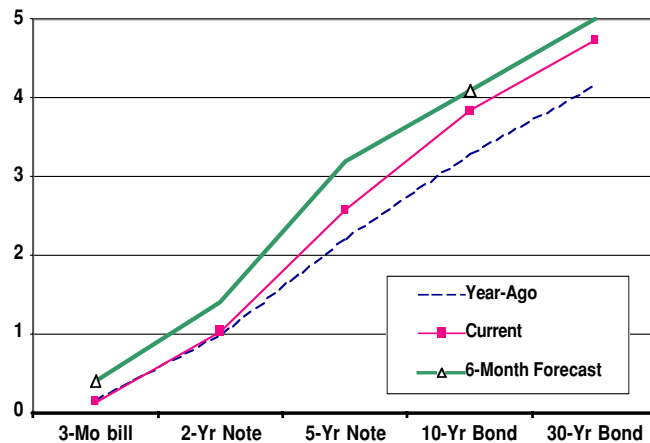
TRADE WEIGHTED DOLLAR



YIELD CURVE EXPECTED TO SHIFT HIGHER

Long-term rates are rising, as investors react to a stronger-than-expected March Nonfarm Payrolls report and the potential for higher inflation in the wake of the aggressive fiscal and monetary stimulus programs. Our forecasts call for a complete shift upward in the yield curve over the next six months, though we expect to see more activity at the long end than the short. We think that the Fed's next move will be another largely cosmetic hike in the discount rate, and even that is unlikely for several months. The central bank will want to see whether the housing market hangs on after home-purchase credits expire and the Fed itself stops buying mortgage securities. The market is pricing in a rate hike by August/September 2010, and expects the fed funds rate to reach 1% within a year.

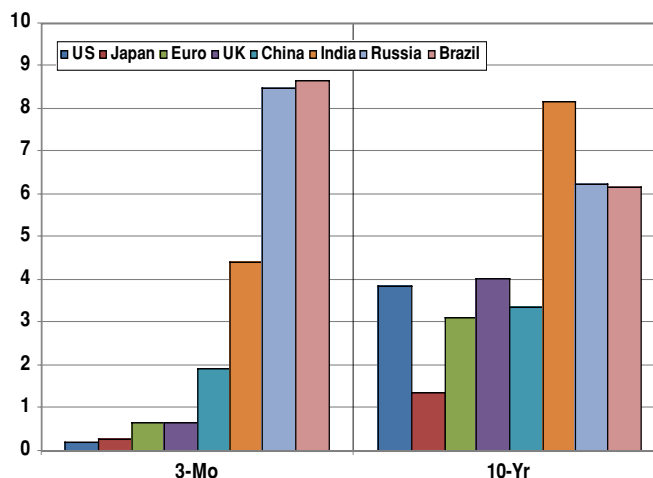
TREASURY YIELD CURVE



GLOBAL RATES HEAD HIGHER

Long-term U.S. government bonds are yielding almost 4%. But long-term yields are in the 6%-8% range in the emerging economies of Brazil, Russia and India. At the short end, both the U.S. and Japan have extremely low rates that have been kept under control to stimulate economic growth. Once again, short-term rates are higher in Brazil, Russia and India, as monetary authorities in those nations combat rising prices. We anticipate Brazil and Russia will be lowering short-term rates to keep economic growth strong; indeed, Russian short-term rates are lower versus a month ago. We thus anticipate that long-term rates will remain elevated. We expect India to continue to raise short-term rates to control inflation and anticipate the intermediate-term trend for Indian long-term rates is lower.

GLOBAL YIELDS

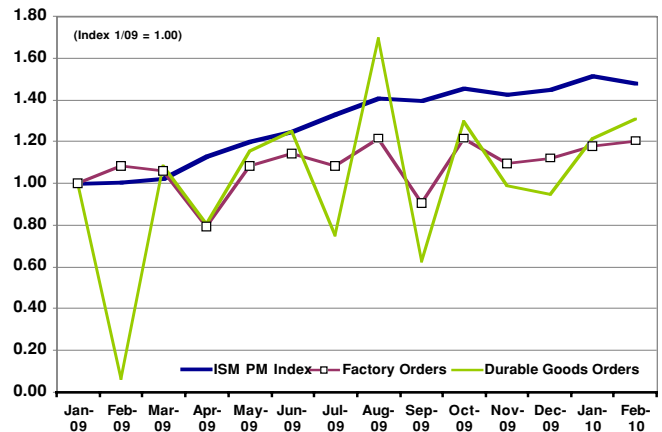


FINANCIAL MARKET HIGHLIGHTS

RUST BELT RECOVERING

The Industrial sector is gaining strength, but the paths toward improvement have not been straight up..Durable goods orders have been volatile – and may slow down if the dollar remains strong. The purchasing managers’ survey by the ISM is more consistent – but this is a survey, not actual orders. We look for the dollar to reverse course and decline, providing a benefit to exporters. Our analysts note that underlying demand for industrial goods – from earthmovers to turbines – appears to be accelerating on a global basis. We recently increased our rating on the Industrial sector to Over-Weight from Market-Weight, and suggest that clients focus on those companies involved with infrastructure projects or clean energy initiatives.

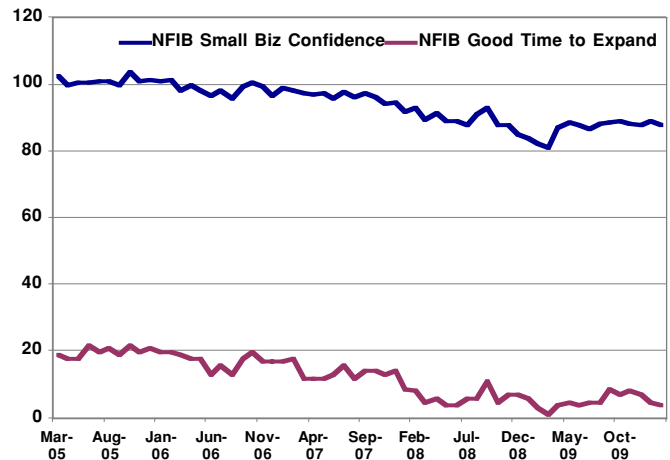
WASHINGTON OUTLOOK (CAN RATINGS)



SMALL BUSINESS CONFIDENCE STILL SHAKY

Recent results of the NFIB Small Business Optimism Index mirror most other recent major economic data. There was a snap-back in this index in mid-2009 from the crisis depths of late 2008/early 2009, but the index has flattened in recent months. Under the surface, the survey also provides results from more-specific questions. Most items – including hiring plans, cap ex plans, sales expectations, etc. – support the view that a recovery among small businesses is underway, key to a broader recovery. Still, two forward-looking indicators in the survey – Outlook for General Business Conditions, and Good Time to Expand – have taken a steep dive and seem to contradict some of the improving data. More likely this mixed data is just another indicator that small businesses remain cautious.

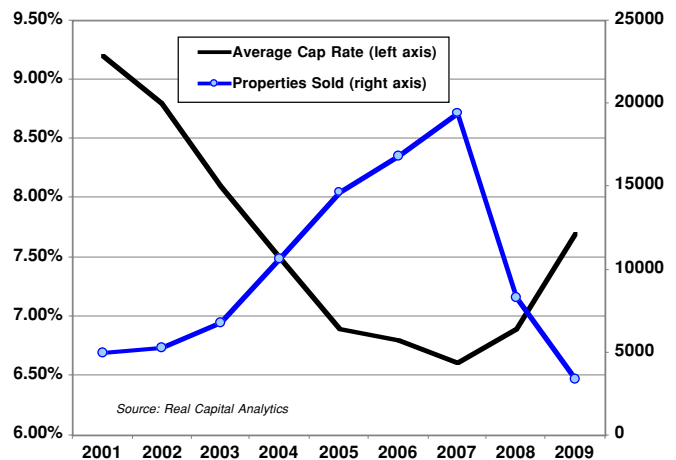
SMALL BIZ CONFIDENCE STILL SHAKY



TURNING THE CORNER?

The REIT industry has been performing well in 2010, but many fundamental REIT trends remain weak, with occupancy still down near recent troughs and pricing power anemic. Savvy investors know that the early part of the cycle is the time to be buying real estate securities. At the depths of the 2000-2001 recession, the number of deals for commercial real estate properties was below 5,000. But investors who stepped up to the plate earned average cap rates of greater than 9%. By the time the industry peaked in 2007, almost 20,000 deals were completed – at an average cap rate of 6.6%. In the last two years, the number of deals has plummeted again, and cap rates once again are on the rise. The trends suggest the cycle has perhaps five to six years still to run.

REIT INDUSTRY TRENDS



ECONOMIC CALENDAR

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
Mon. 4/13	U.S. Trade Balance	February	-\$37.5	-\$36	-\$38.5	N/A
	Import Price Index	March	-0.3%	0.1%	1.0%	N/A
Tue. 4/14	Consumer Price Index	March	0.0%	0.2%	0.1%	N/A
	CPI ex-Food & Energy	March	0.1%	0.2%	0.1%	N/A
	Advance Retail Sales	March	0.3%	0.2%	1.2%	N/A
	Retail Sales ex-Autos	March	0.8%	0.6%	0.6%	N/A
	Business Inventories	February	0.0%	0.0%	0.4%	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	24.0	N/A
	Industrial Production	March	0.1%	0.1%	0.8%	N/A
	Capacity Utilization	March	72.7%	73.0%	73.3%	N/A
	Philadelphia Fed	April	18.9	20.0	20.0	N/A
Thur. 4/16	Housing Starts	March	575k	590k	610k	N/A
	U. of Michigan Confidence*	April	73.6	74.5	75.0	N/A

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
Tue. 4/27	Consumer Confidence	April	52.5	53.0	N/A	N/A
Wed. 4/28	FOMC Rate Decision	N/A	0.00 - 0.25%	0.00 - 0.25%	N/A	N/A
Thur. 4/29	Chicago Fed	March	-0.6	N/A	N/A	N/A
Fri. 4/30	U.S. Gross Domestic Product**	Q 1	5.6%	3.6	N/A	N/A
	GDP Price Index**	Q 1	0.5%	0.0	N/A	N/A
	Chicago PMI^	April	58.8	59.0	N/A	N/A
	U. of Michigan Confidence*	April	N/A	75.0	N/A	N/A

* Preliminary

** Advance

^Final

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