



THE ECONOMY AT A GLANCE

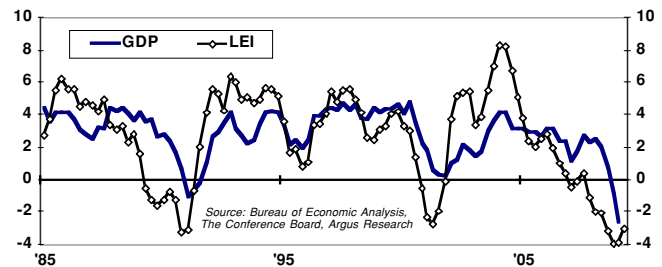
ECONOMIC HIGHLIGHTS

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LEI TURNS CORNER

The Conference Board's Index of Leading Economic Indicators (LEI) registered a larger-than-expected jump of 1.0% in April, suggesting a notable improvement in economic conditions six months down the road. The welcomed increase was the first positive posting in seven months, and a convincing broad-based increase with seven of the 10 components experiencing gains. For the first time in a year and a half, there were more components registering increases than losses.

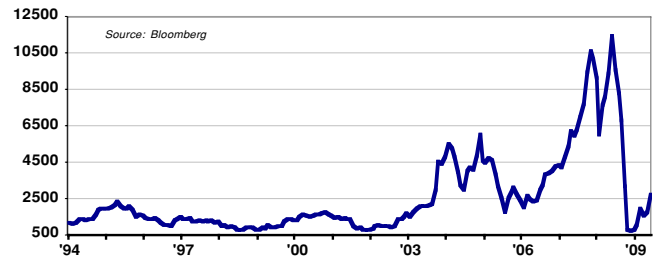
LEI VS. REAL GDP GROWTH (Y/Y%)



BALTIC INDEX RISES

The Baltic Dry Index, the benchmark of dry bulk shipping costs and a fairly accurate gauge of global economic health, recently increased 5.6% in a single trading session — its 17th consecutive daily gain. This is the highest reading in the commodity index this year, and it is up over 250% in. But the gains come from some pretty low levels. So as welcomed as this news may be, it is still not implying a blockbuster economic recovery.

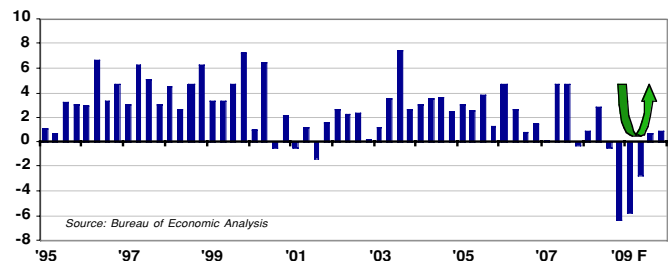
BALTIC DRY INDEX



SHARP CONTRACTION IN Q1

U.S. economic growth contracted an annualized 5.7% during the first three months of the year. This followed a decline of 6.3% in the fourth quarter of 2008. The improvement came on the heels of a less-challenging inventory meltdown and an improvement in the net export position. During the first quarter, consumer spending increased a revised 1.5%. We aren't too sure the consumer will continue to spend at this pace — or even at a positive pace — since the jobs climate is nothing shy of dreadful.

REAL GDP (%)

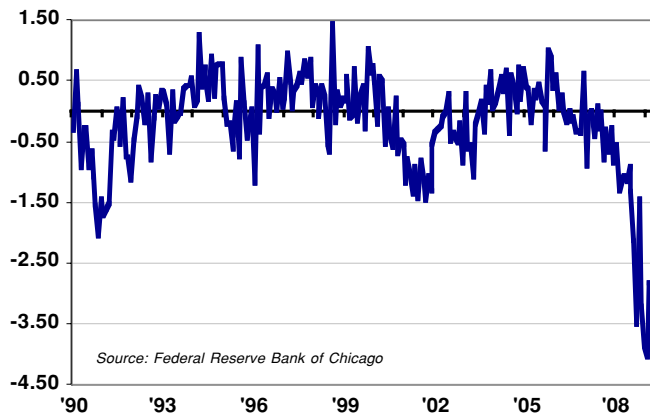


MONETARY HIGHLIGHTS

CHICAGO FED INDEX IMPROVES

The Chicago Fed's National Activity Index (CFNAI) gave another signal that the U.S. economy may be on the road to recovery. During April, the CFNAI increased to -2.06 from -2.96 in March. The less-volatile three-month moving average inched up to -2.65 from -3.27 in March. The economy is clearly still contracting, but this report is a good sign — especially with a fiscal boost in the works. The CFNAI is based on 85 individual economic indicators, and is constructed to signal the current growth rate of the economy within its historical trend growth rate. Values that are above zero suggest the economy is advancing above its trend growth rate, while negative CFNAI readings imply sub-trend activity. The Chicago Fed reported that 63 of the 85 indicators improved from March to April.

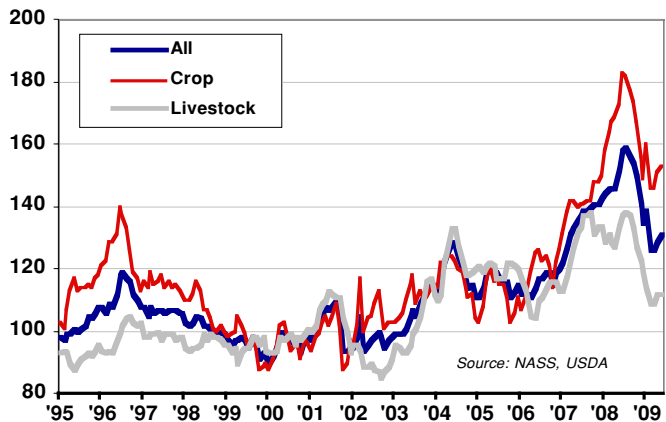
CHICAGO FED NATIONAL ACTIVITY INDEX



AG PRICES RISE

According to the National Agricultural Statistics Service (NASS), the preliminary All Farm Products Index of Prices Received by Farmers inched up two points during May to 131. The All Farm Products Index is down 14% since May 2008. The Prices Paid Index for Commodities and Services, Interest, Taxes, and Farm Wage Rates (PPITW) was down one point from April (0.6%) and eight points (4.3%) lower than levels in May 2008. The Food Commodities Index increased one point (0.8%) from last month and decreased 20 points (14.0%) from a year ago. We expect agricultural prices to rise in coming months as the economy begins the recovery process.

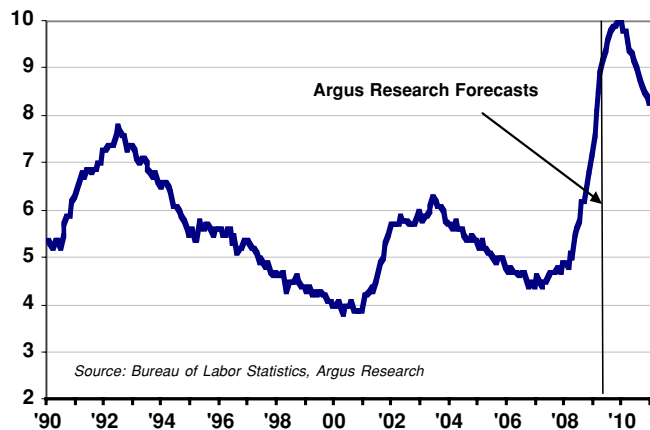
PRICES RECEIVED BY FARMERS



ECONOMY SHEDS 345,000 JOBS

The U.S. economy eliminated 345,000 non-farm payroll positions during May, in keeping with our expectations. The manufacturing sector shed 156,000 jobs, again in line with our expectations. While these numbers are much better than Street estimates, the U.S. economy is not out of the woods yet in terms of manufacturing job loss. The increase in the unemployment rate to 9.4% should keep consumers from spending — which could crimp economic activity in the coming months. Among the service-providing sectors, the worst performers were Trade/Transport, Business Services and Financials. A mere two sectors, Education/Health and Leisure/Hospitality showed job growth. Surprisingly, government employees were not spared; this is the first monthly decline in government jobs in five months.

UNEMPLOYMENT RATE (%)

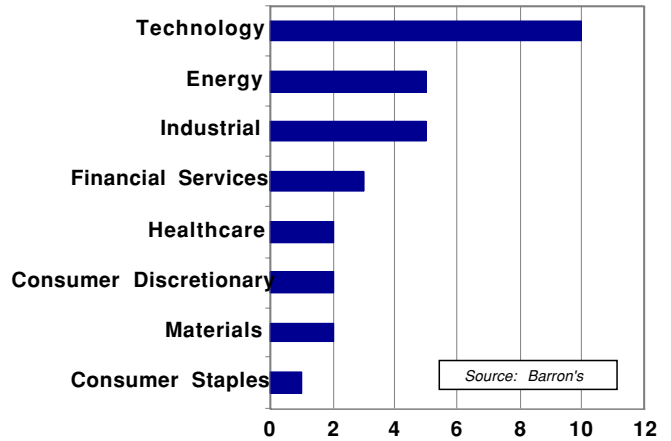


FINANCIAL MARKET HIGHLIGHTS

TECH COMPANIES DOMINATE LIST

Barron's Magazine recently published its annual list of Top 500 performing companies. The magazine ranked the companies — not stocks — based on cash-flow return on investment and sales growth. The number 1 company for performance in 2008 on these measures was MasterCard Inc. (MA: not rated). But the Tech sector was the dominant industry, with almost 40% share of the Top 25 names. Energy was the 2nd-best performing group on this measure, but the companies on the list were focused more on oilfield services than on exploration & production. Looking ahead, on a stock basis, our outlook calls for continued strength in the Tech and Energy sectors. We think investors will continue to benefit from strong performance as the global economy begins to strengthen.

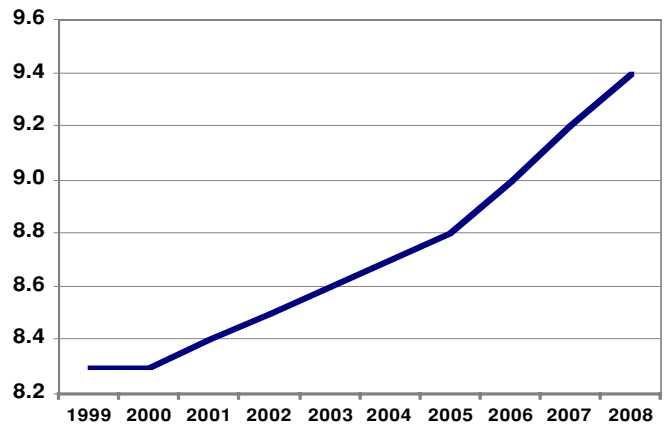
INDUSTRIES WITH TOP PERFORMERS



AN AGING FLEET

As General Motors' bankruptcy filing attests, the auto industry faces problems on numerous fronts. GM's immediate challenge is to recapitalize. The next challenge will be to deliver a product that consumers are willing to purchase — at a time that the evidence suggests consumers are increasingly reluctant to splurge on new wheels. The median age of a U.S. vehicle has risen from 8.3 years to 9.4 years. The current rate of annual seasonally adjusted auto sales is now 9.3 million, down from the 15-16 million level that prevailed for most of the decade. Looking ahead, we suspect that the industry is in for a multi-year phase in which new-auto sales slowly climb back to 12-13 million per year. As the nation's fleet continues to age, the auto repair business should thrive.

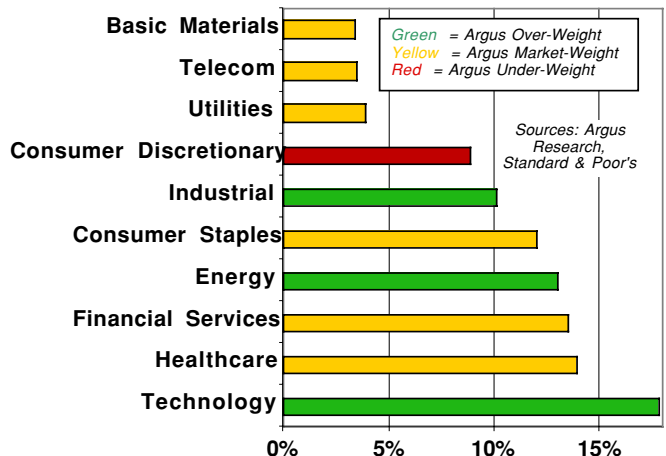
MEDIAN AGE OF CARS IN U.S. (IN YEARS)



INDUSTRIAL SECTOR UPGRADED

In this early stage of recovery and as inflation threatens, we have made a few shifts in our sector recommendations. We have moved our 12-month portfolio strategy for Industrials from Market-Weight to Over-Weight. The combination of Obama Administration stimulus spending and recovery in the growth economies improves prospects for diversified industrial companies, particularly those helping to build global infrastructure. At the same time, the weakening in the dollar benefits these companies' competitive position. We have moved Basic Materials from Under-Weight to Market-Weight. Here, too, we see a sector benefiting from early recovery trends; meanwhile, the "wealth in the ground" provided by these companies acts as an inflation hedge.

SECTOR MARKET CAP (% OF S&P 500)



THE ARGUS ECONOMIC OUTLOOK

	2007 A				2008 A				2009 E				2010 E				June 9, 2009
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	
Real Gross Domestic Product	0.0	4.8	4.8	-0.2	0.9	2.8	-0.5	-6.3	-5.7	-2.7	0.7	0.9	1.3	2.3	1.8	1.9	
Annual:				2.4			-0.8					-1.7				1.8	
Personal Consumption	3.9	2.0	2.0	1.0	0.9	1.2	-3.8	-4.3	1.6	-0.1	0.5	0.1	0.1	1.5	1.4	1.4	
Durables	9.2	5.0	2.3	0.4	-4.3	-2.8	-14.8	-22.1	9.6	-9.2	-7.2	-6.1	-7.3	3.9	3.8	5.7	
Non-Durables	3.5	1.9	1.2	0.3	-0.4	3.9	-7.1	-9.4	-0.6	4.4	1.0	1.5	2.6	2.1	1.5	1.2	
Services	3.1	1.4	2.4	1.4	2.4	0.7	-0.1	1.5	1.3	1.7	1.1	0.9	0.7	0.8	0.8	0.6	
Gross Domestic Investment	-9.6	6.2	3.5	-11.9	-5.8	-11.5	0.4	-23.0	-49.3	-7.9	-0.5	4.0	6.3	4.0	1.4	1.5	
Fixed Investment	-3.4	3.0	-0.9	-6.2	-5.6	-1.7	-5.3	-22.0	-37.3	-21.1	-6.2	-2.0	3.2	1.0	1.4	3.0	
Non-Residential	3.4	10.3	8.7	3.4	2.4	2.5	-1.7	-21.7	-36.9	-20.3	-5.7	-2.2	2.9	0.1	0.3	2.5	
Structures	11.2	18.3	20.6	8.6	8.7	18.4	9.6	-9.4	-42.3	-23.7	-11.2	-3.4	1.8	4.3	6.4	6.4	
Equip. & Software	0.0	6.9	3.6	1.0	-0.5	-5.0	-7.5	-28.1	-33.5	-10.5	-3.9	-1.9	3.2	-1.2	-1.6	1.3	
Residential	-16.2	-11.6	-20.6	-27.0	-25.0	-13.3	-16.1	-22.7	-38.7	-11.0	-6.8	-0.9	3.8	4.3	5.7	4.2	
Change in Pvt. Inventories	-15.0	-2.8	16.0	-8.1	-10.2	-50.6	-29.6	-25.8	-91.4	-45.0	-25.0	-5.0	5.0	15.0	15.0	10.0	
Net Exports	0.6	8.8	23.0	4.4	5.1	12.3	3.0	-23.6	-28.7	-11.8	-6.4	-2.1	2.3	4.7	4.7	4.7	
Exports	2.1	6.8	21.8	5.1	4.6	16.3	3.6	-32.0	-37.8	-10.8	-8.5	-2.7	2.2	5.7	5.2	4.4	
Goods	-2.7	13.3	26.0	2.7	6.4	3.7	1.4	-1.5	-7.2	-11.0	-2.1	-0.9	2.5	2.7	3.7	5.4	
Services	7.7	-3.7	3.0	-2.3	-0.8	-7.3	-3.5	-17.5	-34.1	-7.1	-4.1	0.5	2.2	1.9	3.0	2.4	
Imports	8.4	-4.0	2.4	-2.6	-1.9	-7.1	-4.7	-19.6	-39.6	-6.9	-3.6	1.5	2.4	1.6	2.6	1.9	
Goods	4.2	-2.0	6.3	-0.8	5.5	-8.1	3.3	-6.7	-4.3	-2.7	-6.2	-4.2	1.4	3.5	4.6	4.8	
Gov't Purch. of Goods & Svcs.	0.9	3.9	3.8	0.8	1.9	3.9	5.8	1.3	-3.5	-1.0	3.1	3.9	2.8	2.3	2.7	2.5	
Federal	-3.7	6.7	7.2	-0.5	5.8	6.6	13.8	6.9	-4.3	2.8	5.0	7.9	5.5	4.2	5.3	5.9	
National Defense	-5.9	8.4	10.1	-0.9	7.2	7.3	18.0	3.4	-6.7	2.4	5.8	7.2	2.8	3.3	2.7	2.8	
Non-Defense	1.3	3.1	1.1	0.5	2.7	5.0	5.1	15.3	1.0	4.2	3.3	9.5	11.1	6.0	10.7	12.1	
State & Local	3.6	2.4	1.9	1.6	-0.3	2.5	1.4	-2.0	-3.0	-4.0	1.9	1.3	1.1	1.0	0.9	0.2	
Final Sales of Domestic Prod.	1.1	4.3	4.0	0.8	0.9	4.4	-1.3	-6.2	-3.4	-4.5	0.0	0.2	1.0	1.9	1.8	2.0	
Final Sales to Dom. Purch.	2.2	2.5	1.9	-0.1	0.1	1.3	-2.2	-5.8	-5.3	-3.6	0.2	0.5	1.0	1.6	1.6	1.8	
Addendum:																	
Nominal GDP	4.3	6.9	6.4	2.3	3.5	4.1	3.4	-5.8	-3.1	-0.8	4.0	4.0	4.5	5.8	5.3	5.0	
Personal Con Exp Deflator	3.4	3.6	2.5	4.3	3.6	4.3	5.0	-4.9	-1.0	1.9	3.0	3.0	2.9	3.3	2.9	3.4	
GDP Price Deflator (implicit)	4.2	2.0	1.5	2.5	2.6	1.3	3.9	0.6	2.8	1.9	3.2	3.1	3.2	3.5	3.5	3.1	

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