THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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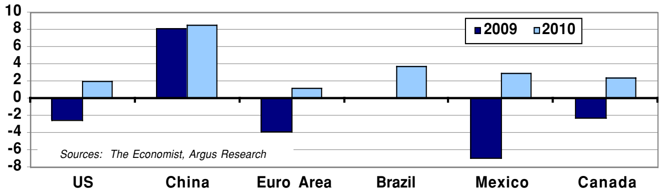
GLOBAL ECONOMIES EXPECTED TO REBOUND

The greatest economic growth in 2010 is anticipated in China, which economists expect will report GDP growth of up to 8.6%, versus 8.2% in 2009. Brazil and Mexico are also expected to generate solid growth. The more-industrialized economies of the U.S., Canada, Euro area and Japan are expected to grow in the 1%-2% range. The Mexican economy is expected to show the sharpest rebound, from a 7% decline in 2009 to 3% growth in 2010.

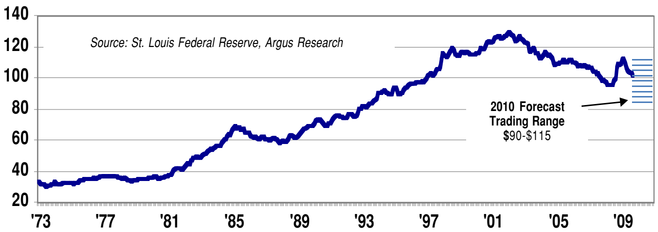
GLOBAL GDP GROWTH RATES & FORECASTS (% CHANGE)



DOLLAR WEAKNESS ANTICIPATED

Year-to-date, the greenback has declined 6% on a trade-weighted basis, versus a basket of currencies including Europe, China, Canada, Mexico and the UK, among others. 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, we would anticipate the dollar could stabilize.

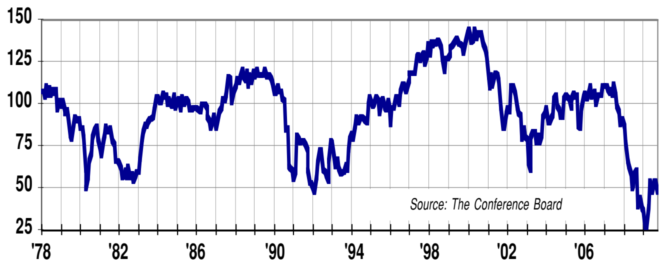
TRADE-WEIGHTED DOLLAR



CONSUMER CONFIDENCE STILL LOW

Consumers remain in the doldrums, and it is not hard to blame them. But we typically view the Conference Board's Consumer Confidence Index and the similar measure calculated by the University of Michigan as lagging indicators. The last two Confidence cycle peaks occurred within 1 or 2 months of the stock market peaks, and the last two troughs were timed almost exactly at the bottom. The rising Confidence measure — even though it is well below all-time highs— is a positive signal for stocks.

CONFERENCE BOARD CONSUMER CONFIDENCE



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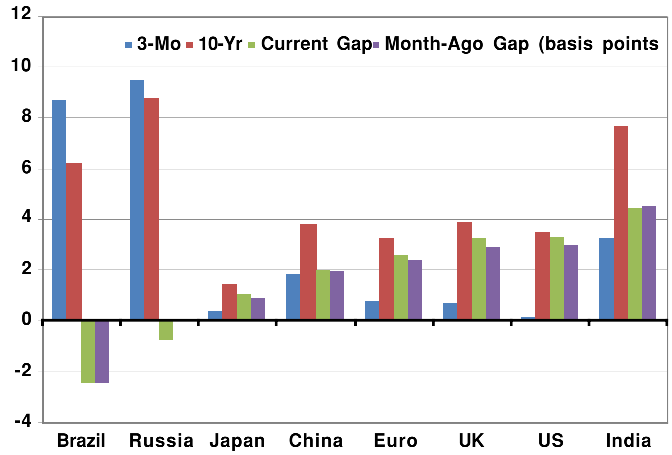
GLOBAL BOND MARKETS POINT TO GROWTH

Yield gaps widened slightly in the past month, as GDP growth is showing signs of taking hold across the globe. Looking ahead, the yield gaps imply good growth prospects for both emerging and industrialized economies over the next 12 months. Inflation remains a concern; long-term yields in the U.S., UK, Japan, China and Euro area rose a bit in the past month, though they are all in the same 3.25%-3.75% range. But not all yield curves in emerging markets are signaling growth. The yield gaps in Brazil and Russia are inverted or low, as governments work to bring inflation under control. That said, short-term rates have been coming down in Russia, as the government attempts to move the economy into position to benefit from a potential boom in commodities.

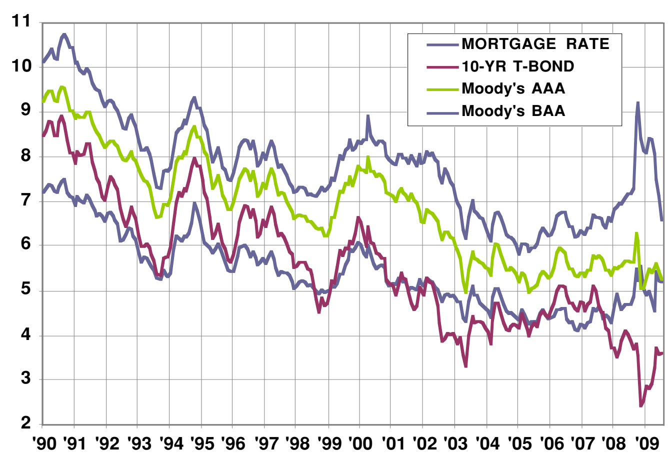
GLOBAL YIELD GAPS (%)



BOND SPREADS STILL WIDE

The spreads between Treasuries, corporate and mortgage bonds remain historically wide. According to our calculations, the average spread between the government long bond and an AAA-rated corporate bond over the past 55 years is 81 basis points. As of September, the gap was 176 basis points, up from 173 bps a month earlier. The gap between the government long bond yield and a BBB-rated bond is now 290 basis points, versus a historical average of 178 bps. Eleven months ago the gap was 600 basis points. The wide gaps signify that investors continue to discount the strength of the U.S. economic recovery. We continue to think that the market is overweighting the default risks of Corporate America, and believe that corporate bonds can be a good buy.

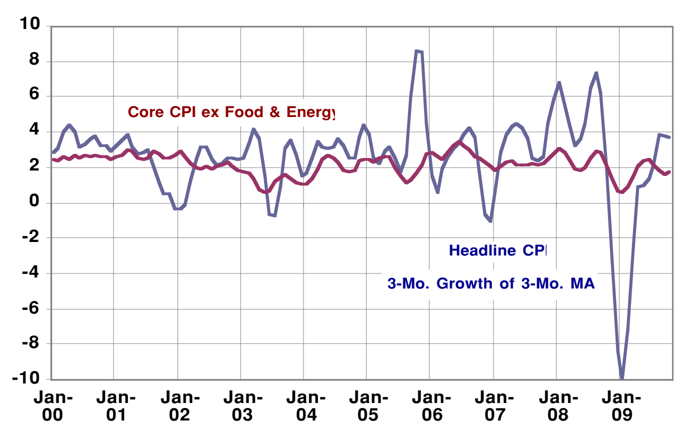
BOND SPREADS



INFLATION TAME, BUT WORTH WATCHING

On the surface, inflation appears well-contained. But in recent months, pricing pressures have been a bit more pronounced. Over the past three months, on a smoothed basis, the "headline" CPI has risen at a 3.6% annual rate. The ex-food and energy measure is also up, but only at a 1.7% rate. The U.S. Federal Reserve prefers to see the ex-food and energy rate in a range between 1.5% 2.0%. At current levels, the central bank is unlikely to alter its aggressive policies any time soon. But the climb in the benchmark U.S. long bond yield from 2.2% in January to the current 3.7% level in part reflects brewing inflationary pressures as oil prices surge toward $80 versus $40 earlier in 2009.

INFLATION MOMENTUM: CPI

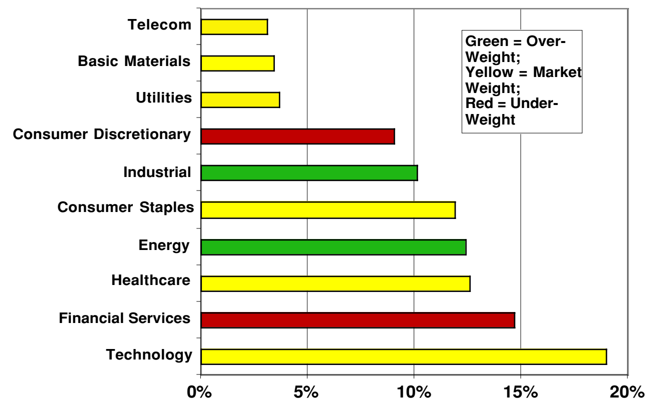


FINANCIAL MARKET HIGHLIGHTS

SECTOR REVIEW

We made no changes to our recommended sector allocations this month. The past month has seen some major shifts in weight, including impressive gains by Technology, Energy and Consumer Staples, which have benefited from a weak dollar. Sectors that have lost position in the past month include Financial Services and Healthcare, which is under pressure as Congress debates healthcare reform. The recent sell-off appears to have been nothing more than normal profit-taking and base-building, similar to the three prior and short-lived down-legs since mid-July — all of which resulted in the market rebounding to new cycle highs. As stocks are now moving comfortably out of the dip, we favor Energy and Industrials.

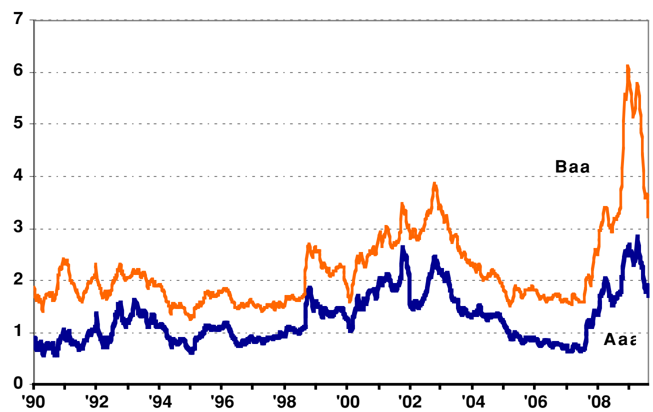
SECTOR MARKET CAP DISTRIBUTION



CORPORATE BOND SPREADS OVER TREASURIES

The difference between the yields on corporate bonds and the benchmark 10-year U.S. Treasury bond is an important measure of risk appetite in the credit markets. When the credit markets seized in the fall of 2008, yields on corporate bonds surged higher across the credit risk spectrum as buyers went on strike and rotated funds into relatively safe Treasuries (pushing those yields lower). As credit markets have healed, long-dated Treasury yields have stayed pretty steady while yields on corporate debt have plunged. However, investors should note that spreads remain near the peak levels hit back in 2003 and are still well above the spreads the prevailed for most of the 1990's.

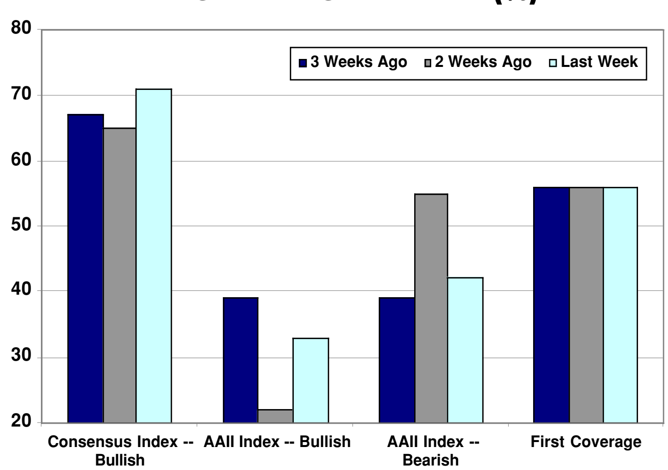
CORPORATE BOND SPREADS



INSTITUTIONS REMAIN FOCUSED

The Consensus Index of Investment Advisors indicates that sentiment toward stocks has been declining over the past three weeks, as earnings season has passed. Still, positive sentiment at 67% suggests the market may be approaching a near-term top. Individual investors show the highest level of bearishness, according to the American Association of Individual Investors. But their views have been volatile from week to week. The hedge fund view (compiled by First Coverage) is more neutral and more consistent. The hedge funds pros have been following the market trend of higher highs and higher lows. If the recent pattern holds, stocks may push higher for several more sessions. At that point, we think the S&P 500 may drift lower to 50-day support near 1070-1075.

INVESTMENT SENTIMENT (%)



ECONOMIC CALENDAR

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
Mon. 11/16	Retail Sales	October	0.1%	0.2%	0.9%	N/A
	Retail Sales ex-autos	October	0.5%	0.5%	0.4%	N/A
	Empire State Manufacturing Index	November	34.6	36.0	28.5	
	Business Inventories	September	-1.5%	1.0%	-0.6%	N/A
						N/A
Tue. 11/17	Producer Price Index	October	-0.6%	-60.0%	0.5%	N/A
	PPI ex-Food & Energy	October	-0.1%	0.0%	0.1%	
	Industrial Production	October	0.7%	0.7%	0.4%	N/A
	Capacity Utilization	October	70.5%	70.7%	70.8%	N/A
Wed. 11/18	Consumer Price Index	October	0.2%	0.2%	0.2%	N/A
	CPE ex Food & Energy	October	0.2%	0.2%	0.1%	N/A
	Housing Starts	October	590 k	575 k	598 k	
						N/A
Thur. 11/19	Leading Economic Indicators	October	1.0%	0.5%	0.4%	N/A
	Philadelphia Fed.	November	11.5	12.0	12.0	N/A

Next Week's Re eases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
Mon. 11/30	Chicago PMI	November	54.2	55.0	N/A	N/A
Tue. 12/1	ISM Manufacturing Index	November	55.7	56.0	N/A	N/A
	Construction Spending	October	0.8%	0.5%	N/A	N/A
	Total Vehicle Sales	November	10.4M	9.8M	N/A	
Thur. 12/3	Nonfarm Productivity^	QIII	9.5%	6.0%	N/A	N/A
	Unit Labor Costs^	QIII	-5.2%	-4.0%	N/A	N/A
	ISM Nonmanufacturing Index	November	50.6	51.0	N/A	N/A
Fri. 12/4	Nonfarm Payrolls	November	-190k	-150k	N/A	N/A
	Unemployment Rate	November	10.2%	10.3%	N/A	N/A
	Manufacturing Payrolls	November	-61k	-65k	N/A	N/A
	Average Hourly Earnings	November	0.3%	0.2%	N/A	
	Average Workweek	November	33.0 hrs.	33.8%	N/A	N/A
	Factory Orders	October	0.9%	1.0%	N/A	N/A

** Preliminary*
*** Advance*
^Final