

BEGINNINGS | ASSET ALLOCATION

ECONOMIC AND FINANCIAL MARKET FORECAST

Below is a comparison of current economic and financial data with the panel's composite forecast for the next six months. (Through September 2009)

	Current Level ¹	Strategists' Predictions
STOCK MARKET (Dow Jones Industrials)	7937	9152
BOND MARKET (10-Year Treasury Note)	2.7%	2.9%
ECONOMIC GROWTH (Annual Growth of Real GDP)	-3.8%	-1.4%
INFLATION (Annual Increase in CPI)	0.1%	0.4%
SHORT-TERM RATES (Three-Month Treasury Bills)	0.26%	0.4%

(1) As of 2/2/09

RECOMMENDED ALLOCATIONS FOR A BALANCED PORTFOLIO

The statistics below are a composite of results from our monthly poll of leading portfolio strategists and are designed for a balanced growth investor.

CURRENT COMPOSITE ALLOCATION			CHANGE FROM PRIOR MONTH'S ALLOCATION		
STOCKS	BONDS	CASH	STOCKS	BONDS	CASH
54.4%	33.0%	12.6%	-1.9%	-1.9%	+3.7%

RANGE OF CURRENT ALLOCATIONS			12-MONTH TRENDS IN COMPOSITE ALLOCATIONS			
	LOW	HIGH		LOW	HIGH	CURRENT
STOCKS	10%	70%	STOCKS	54.4%	57.0%	54.4%
BONDS	15%	50%	BONDS	32.3%	34.9%	33.0%
CASH	1%	40%	CASH	8.9%	12.6%	12.6%

Behind the Numbers, with Jeffrey Kleintop



"THE CURRENT QUARTER is going to be a tough one economically—probably the worse of the recession—and earnings will reflect that as well," says Jeffrey Kleintop, our newest asset allocation panelist and LPL Financial's chief market strategist. "Though from a stock market perspective, I think we'll probably stay within the range that we've been in for the last three months, which is 800-1,000 on the S&P 500." Given that range, Kleintop says he advocates alternative investments. As for the second quarter, he says it will be one of healing. "Economic growth or earnings growth is unlikely to be positive, but stocks may begin to rebound within that range." He also points out that there are some signs of healing in the credit market. "I think that's a good leading indicator as to where the economy may be headed," he adds. "This downturn was caused by credit—I think the rescue has to come from the credit market as well." —Kara P. Stapleton



GARY SHILLING

A. Gary Shilling & Co.

STOCKS	10%	
BONDS	50%	down 30%
CASH	40%	up 30%



GAIL DUDACK

Dudack Research Group

STOCKS	70%
BONDS	15%
CASH	15%
(no change)	



SAM STOVALL

Standard & Poor's

STOCKS	60%
BONDS	25%
CASH	15%
(no change)	

CASH HOLDINGS BELOW PANEL AVERAGE



DAVID KELLY

JPMorgan Funds

STOCKS	60%
BONDS	30%
CASH	10%
(no change)	



JEFFREY KLEINTOP

LPL Financial

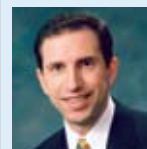
STOCKS	65%
BONDS	30%
CASH	5%



RICHARD BERNSTEIN

Merrill Lynch

STOCKS	50%
BONDS	45%
CASH	5%
(no change)	



MARK BALASA

The Alpha Group

STOCKS	60%
BONDS	39%
CASH	1%
(no change)	

Portfolio strategists polled 2/2/09-2/9/09