

# 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 May 2010)

	Current Level <sup>1</sup>	Strategists' Predictions
STOCK MARKET (Dow Jones Industrials)	9599	9440
BOND MARKET (10-Year Treasury Note)	3.2%	3.6%
ECONOMIC GROWTH (Annual Growth of Real GDP)	-0.7%	1.1%
INFLATION (Annual Increase in CPI)	0.2%	1.3%
SHORT-TERM RATES (Three-Month Treasury Bills)	0.09%	0.4%

(1) As of 10/5/09

## 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
55.6%	32.1%	12.3%	+0.6%	-0.6%	0%

  

RANGE OF CURRENT ALLOCATIONS			12-MONTH TRENDS IN COMPOSITE ALLOCATIONS			
	LOW	HIGH		LOW	HIGH	CURRENT
STOCKS	10%	70%	STOCKS	55.0%	57.4%	55.0%
BONDS	15%	60%	BONDS	31.3%	34.9%	32.7%
CASH	1%	30%	CASH	8.9%	14.8%	12.3%

## Behind the Numbers, with Gail Dudack



**TAKING A CONTRARY** position to a lot of the people she speaks with, the principal of the Dudack Research Group describes her current outlook as "short term cautious and longer term optimistic." She says her official view is that the market hit a ceiling by mid-October and is "likely to go sideways through the rest of the year," she observes. "That to me is the best path for the market because it would mean less of

a rollercoaster ride for investors." Her expectation is that the economy will continue to grow in 2010, but she does have concerns about some of the aggressive growth numbers and earnings numbers she's seen predicted. "Market performance coming out of a recession is always very good. The problem is that we've already exceeded those averages. We're really already seeing the best performance typically seen in the first six months," Dudack notes. "Too much, too soon leaves you a bit vulnerable early next year to a correction." —Robert F. Keane



**GARY SHILLING**  
A. Gary Shilling & Co.

STOCKS	10%
BONDS	60%
CASH	30%

(no change)



**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	69%	up 4%
BONDS	26%	down 4%
CASH	5%	



**MARK BALASA**  
The Alpha Group

STOCKS	60%
BONDS	39%
CASH	1%

(no change)

Portfolio strategists polled 10/5/09-10/9/09