

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 March 2010)

	Current Level ¹	Strategists' Predictions
STOCK MARKET (Dow Jones Industrials)	9338	9185
BOND MARKET (10-Year Treasury Note)	3.8%	3.7%
ECONOMIC GROWTH (Annual Growth of Real GDP)	-1.0%	0.5%
INFLATION (Annual Increase in CPI)	0.9%	1.1%
SHORT-TERM RATES (Three-Month Treasury Bills)	0.16%	0.5%

(1) As of 8/10/09

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
55.0%	31.3%	13.7%	0%	0%	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%	50%	BONDS	31.3%	34.9%	31.3%
CASH	1%	40%	CASH	8.9%	14.8%	13.7%

Behind the Numbers, with Sam Stovall



INFLATION SHOULD NOT be a major concern of the economy in the current environment, noted Sam Stovall, S&P's chief investment strategist, in an appearance on CNBC on August 13, due to high unemployment rates. "Since wages are the biggest component of inflation, I think [unemployment] is going to keep a pretty good damper on things," he said. "Also, capacity utilization is now

at 68%, close to the record low, so it's going to be a while before inflation becomes a major issue." Commenting on the actions likely from the Federal Reserve, he said, "I don't think the Fed is going to do anything...What they want to do is...make sure that the unemployment rate does not peak above 10%—which we think it will, and it will stay above 10% for all of 2010—and they don't want to make the mistake like Japan and pull away the stimulus too quickly." — **Robert F. Keane**



GARY SHILLING

A. Gary Shilling & Co.

STOCKS	10%
BONDS	50%
CASH	40%
(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	65%
BONDS	30%
CASH	5%
(no change)	



MARK BALASA

The Alpha Group

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

Portfolio strategists polled 8/10/09-8/14/09