

# 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 October 2010)

	Current Level <sup>1</sup>	Strategists' Predictions
STOCK MARKET (Dow Jones Industrials)	10404	10425
BOND MARKET (10-Year Treasury Note)	3.6%	3.7%
ECONOMIC GROWTH (Annual Growth of Real GDP)	5.9%	2.8%
INFLATION (Annual Increase in CPI)	2.6%	1.7%
SHORT-TERM RATES (Three-Month Treasury Bills)	0.12%	0.5%

(1) As of 3/1/10

## 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%	35.3%	10.2%	-0.3%	+0.3%	0%

  

RANGE OF CURRENT ALLOCATIONS			12-MONTH TRENDS IN COMPOSITE ALLOCATIONS			
	LOW	HIGH		LOW	HIGH	CURRENT
STOCKS	10%	69%	STOCKS	54.5%	56.3%	54.5%
BONDS	25%	70%	BONDS	29.5%	35.3%	35.3%
CASH	1%	20%	CASH	10.1%	14.8%	10.2%



**GARY SHILLING**  
A. Gary Shilling & Co.  
STOCKS 10%  
BONDS 70%  
CASH 20%  
(no change)



**GAIL DUDACK**  
Dudack Research Group  
STOCKS 65%  
BONDS 20%  
CASH 15%  
(no change)

### CASH HOLDINGS BELOW PANEL AVERAGE



**SAM STOVALL**  
Standard & Poor's  
STOCKS 65%  
BONDS 25%  
CASH 10%  
(no change)



**JEFFREY KLEINTOP**  
LPL Financial  
STOCKS 67% down 2%  
BONDS 28% up 2%  
CASH 5%



**MARK BALASA**  
The Alpha Group  
STOCKS 60%  
BONDS 39%  
CASH 1%  
(no change)

Portfolio strategists polled 3/1/10-3/5/10

## Behind the Numbers, with Sam Stovall

**EMPLOYMENT AND CONSUMER** spending are no longer keeping Standard & Poor's chief investment strategist up at night. "Every time we update our economic projections those numbers look better and better," he says. "We think that overall GDP will be up about 3% this year, consumer spending up by less than that about 2.2%, but our worry about unemployment is moderating. Earlier we had anticipated that unemployment would remain above 10% for each of the four quarters of 2010, now our belief is that it will be below 10% for each of those four quarters—in the high nines, but still that's a lot better than we were forecasting before. And in 2011 our estimate is that we'll be in the high eights. It appears that economic growth, combined with unemployment numbers are looking better and better each time we update our estimates." Stovall says 12-month target for the S&P 500 was set at 1215 and that he's confident that the number will eclipse 1200 and possibly even reach the target, "but then we're just going to be questioning how much further it's going to go before it attempts to digest these gains." His optimism is also fueled by investors putting their money back to work. "We see good capital inflows from 401(k)s, 2009 bonuses, IRA funding and also just from naysayers who are finally throwing in the towel," and coming back into the market. Stovall notes that S&P currently has overweight recommendations on technology, industrials, and healthcare. "Selectively financials look pretty good, in particular the regional bank areas," he says. "On the underweight side it's basically the defensive areas of staples, utilities, and telecom." —**Robert F. Keane**