

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 August 2010)

	Current Level ¹	Strategists' Predictions
STOCK MARKET (Dow Jones Industrials)	10,584	10,375
BOND MARKET (10-Year Treasury Note)	3.8%	3.8%
ECONOMIC GROWTH (Annual Growth of Real GDP)	2.2%	2.1%
INFLATION (Annual Increase in CPI)	1.8%	1.5%
SHORT-TERM RATES (Three-Month Treasury Bills)	0.06%	0.5%

(1) As of 1/4/10

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
54.8%	33.3%	11.8%	-0.8%	+1.2%	+0.2%

RANGE OF CURRENT ALLOCATIONS			12-MONTH TRENDS IN COMPOSITE ALLOCATIONS			
	LOW	HIGH		LOW	HIGH	CURRENT
STOCKS	10%	69%	STOCKS	54.4%	57.4%	54.8%
BONDS	25%	60%	BONDS	29.5%	33.6%	33.3%
CASH	1%	30%	CASH	10.1%	14.8%	11.8%

Behind the Numbers, with Jeffrey Kleintop

EVERY JANUARY WE survey the members of our Asset Allocation panel and ask them to predict some of what advisors and their clients can expect in the coming year. Jeffrey Kleintop, LPL's chief market strategist indicates that his biggest economic worry is the massive U.S. debt. He thinks the wind-down of government involvement in the economy will be prolonged and difficult and that the Obama agenda will have no effect on economic growth. Kleintop expects that we'll start to see the economy match last year's stock market growth by the end of the first quarter. Rather than global investing, he thinks high-yield bonds are the vehicle for good returns this year. As far as numbers go, Kleintop expects 2010 to close with the Dow at 11,250; the S&P 500 at 1,200; and the Nasdaq at 2,450.—**Robert F. Keane** (More of our panel's predictions can be found on page 7 and the full survey at InvestmentAdvisor.com.)



GARY SHILLING

A. Gary Shilling & Co.

STOCKS	10%	
BONDS	60%	down 10%
CASH	30%	up 10%



GAIL DUDACK

Dudack Research Group

STOCKS	65%	down 5%
BONDS	20%	up 5%
CASH	15%	

CASH HOLDINGS BELOW PANEL AVERAGE



SAM STOVALL

Standard & Poor's

STOCKS	65%
BONDS	25%
CASH	10%
(no change)	



JEFFREY KLEINTOP

LPL Financial

STOCKS	69%
BONDS	26%
CASH	5%
(no change)	



MARK BALASA

The Alpha Group

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

Portfolio strategists polled 1/4/10-1/8/10