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monthly investment overview.

November 2009

The Economy
US Real Gross Domestic Product for 2008: +0.4%
US Real Gross Domestic Product for 3Q'09: +2.8%
Consumer Price Index Y/Y: -0.2%
Consumer Price Index September 2009: +0.3%

November economic data remained divided between a recovering industrial economy and continued headwinds for the U.S. consumer. Over the three months through September, real merchandise exports increased at a 31% annualized rate while real imports rose 47% annualized. Industrial production inched up 0.1% in October from the prior month, and the ISM manufacturing index reading of 53.6 in November was still above the 50 level, indicating expanding activity. Initial weekly unemployment claims dropped to 457,000 by the end of November from a peak of 674,000 this past March. The trend in non-farm payrolls has also improved, with only 11,000 jobs lost in November and the unemployment rate moving back down to 10.0%. However, the University of Michigan sentiment index dropped again to 67.4 in November from 70.6 the prior month, indicating that consumers remain cautious. Housing starts in October tumbled 10.6% from the prior month to an annualized pace of 529,000 (vs. a peak of almost 2.3 million in early 2006). Sales of existing homes however rose 10.1% to a 6.1 million annual pace in October, helped by tax credits and lower prices. Housing market conditions could be slow to improve as evidenced by data from the Mortgage Bankers Association showing that 14% of U.S. homeowners with mortgages were either delinquent or in some stage of foreclosure during the third quarter. Government spending programs and easy monetary policies on a global basis has started to reignite growth around the world. A composite measuring global short rates moved below 2.0% to a record low at the end of November. This has helped emerging economies resume strong growth, with China's 3Q real GDP up 8.9% on an annual basis and 3Q real GDP in Brazil up 5.1%.

The Stock Market
Dow Jones Industrial Average YTD Total Return: +21.5%
Standard & Poor's 500 Index YTD Total Return: +24.1%

The S&P 500 Index advanced to a fresh recovery high in November, driven by investors expecting further improvement in the economy thanks to ongoing benefits from government stimulus. With most companies in the S&P 500 index reporting quarterly earnings, 80% did better than analyst expectations, up from last quarter's record 73%. At the end of November, markets came under pressure when Dubai announced it would delay debt repayments on $60 billion in debt from its investment fund, Dubai World. The market was led higher in November by the industrial and materials sectors, along with a strong advance in the health care sector. Energy, consumer staples, and the financial sectors lagged the market during the month.

The Bond Market
Federal Funds Rate: Target 0% - ¼%
10-Yr US Treasury Yield: 3.2%
Barclays Intermediate-Term US Gov't Bond Index: YTD +6.8%

The Federal Reserve continues with its near zero interest rate policy and purchases of asset backed debt, forcing investors to take on increased credit risk in pursuit of higher yields. Companies have taken advantage of this easy credit environment, as evidenced by $123 billion in new speculative grade junk bonds issued this year, ahead of the $48 billion issued last year and close to eclipsing the 2006 record issuance of $143 billion. In addition, $400 million of securitized debt for Developers Diversified Reality was the first commercial mortgage-backed securities deal offered through the Federal Reserve's Term Asset-Backed Securities Loan Facility, unlocking a market that has been essentially frozen since the financial crisis a year ago. Gold broke to another new all-time high in November, reaching $1,179 per ounce, an indication investors remain concerned over increasing U.S. debt levels and U.S. dollar weakness.