



monthly investment overview.

April 2009

The Economy

US Real Gross Domestic Product for 2008: +1.1%
US Real Gross Domestic Product for 1Q'09: -6.1%
Consumer Price Index Y/Y: -0.4%
Consumer Price Index March 2009: -0.1%

April data showed evidence that the pace of economic decline is starting to moderate. Personal consumption in 1Q was up 2.2% q/q as spending stabilized from sharp declines in the 2nd half of last year. Consumer confidence jumped from a record low of 26.9 in March to 39.2 in April. Tax refunds of \$258 billion, up 17.9% yr/yr, helped buoy consumers. The -6.1% annualized q/q advance real GDP reading for 1Q was mainly driven by ongoing weakness in manufacturing and a sharp purging of inventories. While the April Purchasing Managers Index rebounded to 40.1 from a reading of 36.3 in March, it still remained solidly below 50, the level signaling expansion. Businesses reduced inventories at a record annual pace of just over \$136 billion in 1Q, which helps set the stage for a rebound in the future. During the final week of April, the 4-week moving average of initial unemployment claims fell for a third straight week to 638,250. Although a peak in unemployment claims is typically a sign that an economic downturn is coming to an end, the record high level of continuing claims at 6.1 million people means unemployment is likely to remain a headwind through the end of 2009. The government led bankruptcy of Chrysler and reports of further deterioration in banks' commercial loan portfolios serve as reminders of ongoing problems for the U.S. Looking abroad, many international economies are starting to show improvement. The G-20 leaders pledged more than \$1 trillion in funding for the International Monetary Fund at their early April meeting in order to help struggling countries. China, with its own \$586 billion stimulus package, is showing signs that its economy is starting to turn. For example, China's real GDP grew 6.1% yr/yr in 1Q and industrial output growth picked up to 8.3% in March after posting record low gains in the first two months of the year.

The Stock Market

Dow Jones Industrial Average YTD Total Return: -5.9%
Standard & Poor's 500 Index YTD Total Return: -2.5%

The stock market continued its climb higher during the month, with the S&P 500 posting a 9.4% increase, its best April performance since 1938. Investors' appetite for risk continues to reemerge as small cap issues led the market's advance. In addition, Goldman Sachs was able to access the equity market with a \$5 billion secondary offering and Rosetta Stone's initial public offering made April the busiest month for IPO's since July 2008. Financial and consumer discretionary stocks continued their leadership roles, followed by strong advances in industrials, materials, and information technology. Energy, consumer staples, and health care stocks underperformed the market's strong advance. The next big data point for investors appears to be the government stress test results for 19 large U.S. banks, set to be released in early May that will determine which of these banks will need to boost their capital levels.



100 E. WISCONSIN AVE., SUITE 2700
MILWAUKEE, WI 53202
TEL: 414.326.3200 FAX: 414.326.3201

The Bond Market

Federal Funds Rate: Target 0% - ¼%

10-Yr US Treasury Yield: 3.12%

Barclays Intermediate-Term US Gov't Bond Index: YTD +0.4%

U.S. Treasury securities sold off through month end on signs of economic recovery, pushing the yield on the 10-year Treasury up to 3.12%. Stress on the financial system has started to abate and credit markets are beginning to function normally again. 3-month LIBOR rates moved back down close to 1% after spiking over 4% last October, and yields on both corporate and junk bonds continued to decline. Inflationary pressure does not appear to be anywhere on the horizon, at least for the near-term. The Congressional Budget Office estimates that U.S. GDP could be 7% below potential (output gap) over the next two years. With the percentage of working-age adults employed down 3.5 percentage points to 59.9% since early 2007 (the steepest decline since the Great Depression), wage pressures should also be contained for some time.