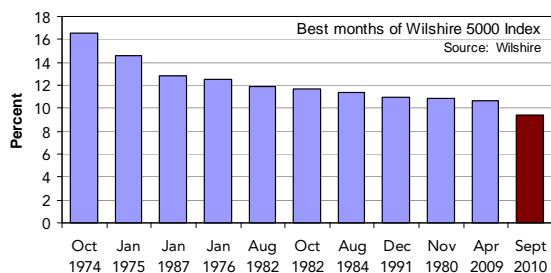


# Economic Review

Stock markets worldwide surged in September as investors ignored lackluster outlooks while focusing on upcoming elections that may limit future regulations and tax increases. Although the Federal Reserve viewed the economy with more worrisome eyes, the likelihood of a return to a deep recession continued to fade. The National Bureau of Economic Research (NBER) officially declared that the recession ended in June 2009. The outlook for employment remained weak, as increased corporate investments in production equipment pointed to further efforts to squeeze productivity gains from the current workforce before meaningful hiring is initiated. Outside of holiday hiring, private-sector job growth will likely stay near 100,000 additional jobs per month for an extended period. President Obama proposed a \$50 billion infrastructure and transportation bill, although it is unlikely to pass, and Congress is unlikely to vote on extending tax cuts before the election.

## Equity Markets Surge Ahead



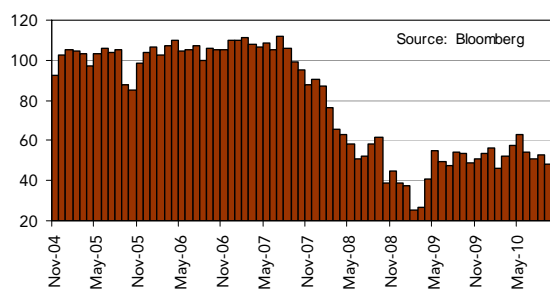
Tax law changes made in September will allow small companies to speed depreciation writeoffs on equipment purchases. The bill also directs \$30 billion to regional banks for the explicit purpose of making small-business loans. Bank participation is voluntary, and businesses need to see an improved outlook and lower regulatory costs to be inclined to borrow. Congress failed to muster enough votes to repeal the 1099 reporting requirement for business transactions over \$600. The original mandate was passed as part of the healthcare reform legislation.

## Gold Sets Record High



Several healthcare changes went into effect this month, including elimination of lifetime caps for policies starting after September, extension of children's coverage until age 26, restrictions on rescinding coverage for non-fraudulent mistakes or omissions, and mandating preventive care coverage with no copay or deductible. Insurance companies have rapidly raised premiums for individual policies as mandates raise the costs to provide insurance.

## Consumer Confidence



Gasoline prices rose  $\epsilon$ 5/gallon nationwide and  $\epsilon$ 20/gallon locally after an oil pipeline in suburban Chicago sprung a leak and was out of service for several days. The pipeline carries oil from Canadian oil fields to refineries in Illinois and Indiana. A massive natural gas pipeline explosion in San Francisco prompted calls for increased federal inspection mandates to help prevent further pipeline incidents.

Consumer prices were up slightly as wheat prices were affected by fires in Russia, egg prices were affected by a massive recall, and gasoline prices rose. Housing prices continued to slump, helping to contain inflation pressures.

## Market Returns

	As of September 30, 2010		
	September	3 Months	YTD
S&P 500	8.9%	11.3%	3.9%
Russell 1000 Value	7.8%	10.1%	4.5%
Russell 1000 Growth	10.7%	13.0%	4.4%
Russell 2000	12.5%	11.3%	9.1%
MSCI EAFE	9.8%	16.5%	1.1%
Emerging Markets	11.1%	18.2%	11.0%
Barclays Agg	0.1%	2.5%	7.9%
3-Month T-Bills	0.0%	0.0%	0.1%

The Euro reversed its slide, rising 7.5% in September as investors viewed the dollar negatively amidst continued weak economic forecasts. The Yen rose over 0.8%, despite a nearly \$17 billion intervention by the Bank of Japan, which sent the Yen lower by 3% on September 17. Irish and Portuguese sovereign debt concerns rose anew as the expected economic growth that would raise tax receipts failed to materialize, heightening the potential of default. Gold continued its rise, surpassing \$1300/oz., while silver gained 13% in September, following elevated uncertainty as currencies swing back and forth.

International banking regulators proposed raising capital requirements of banks from 2% to 7%, though the timeframe provides nine years for full implementation. The G20 will review the policy in November.

Southwest Airlines announced its purchase of Air Tran Holdings. The purchase will give it a stronger presence in the south and east and allow it to compete for more business customers.