

Monthly Summary

Economic reports for the month generally continued favorable trends seen so far this year. Already strong fourth quarter GDP growth was revised upward and manufacturing continued strengthening. Inflationary pressures remained tame and the labor market was mixed. Two areas were of concern during the month. Specifically, consumer confidence plunged to a new low and residential housing volumes, both new and existing, showed surprising declines.

Sovereign credit concerns remained front and center in February. In the case of Greece, the month ended with the world long on speculation but short on resolution.

Despite its own challenges, for many investors the U.S. and its currency looked like the lesser of the evils in February. The S&P 500 Index was up 3.1% for the month and is down 0.6% year-to-date.

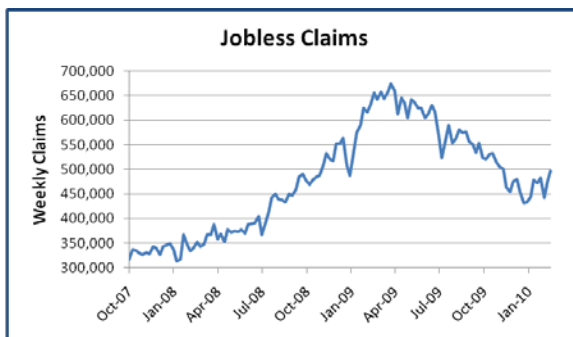
International equity returns were challenged by sovereign concerns and U.S. dollar strength. The MSCI EAFE Developed Markets Index was off 0.7%. Emerging markets fared slightly better with the MSCI Emerging Markets Index up 0.4% for the month. Year-to-date, developed and emerging markets returned -5.1% and -5.3%, respectively.

In the fixed income market, the Barclays US Aggregate Index was up 0.4% for the month and the 10-year U.S. Treasury bond ended with a yield of 3.61%, flat for the period. For the year, the Barclays Aggregate is up 1.9%.

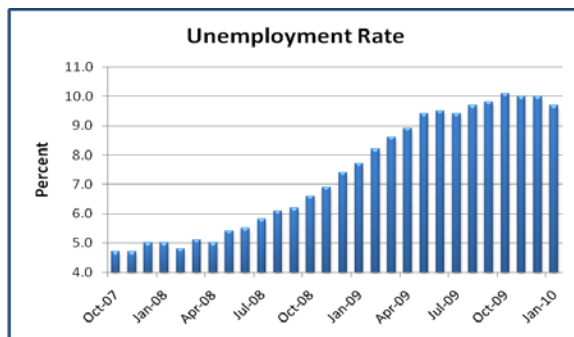
February's Economic Releases

<u>General</u>	<u>Prior</u>	<u>Current</u>
GDP	2.2% (Q3)	5.9% (Q4)
Trade balance	-\$36.4 B (Nov)	-\$40.2 B (Dec)

<u>Employment</u>	<u>Prior</u>	<u>Current</u>
Initial jobless claims	474,000	496,000
Continuing claims	4.6 MM	4.6 MM
Nonfarm payrolls	-150000 (Dec)	-20,000 (Jan)
Unemployment rate	10.0% (Dec)	9.7% (Jan)
Average weekly hours	33.2 (Dec)	33.3 (Jan)



Data Source: U.S. Department of Labor



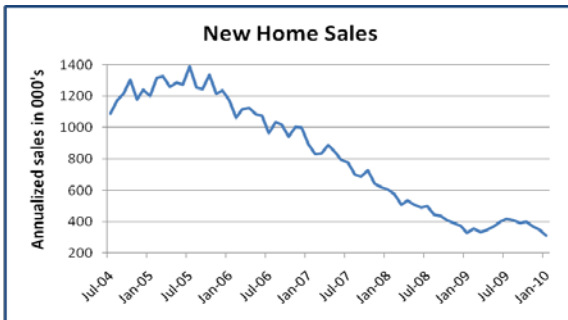
Data Source: U.S. Department of Labor

<u>Consumer</u>	<u>Prior</u>	<u>Current</u>
Cons. confidence index (Conf. Board)	56.5 (Jan)	46.0 (Feb)
Retail sales (YoY)	2.5% (Nov)	5.4% (Dec)
Consumer credit	-\$21.8 B (Nov)	-\$1.7 B (Dec)

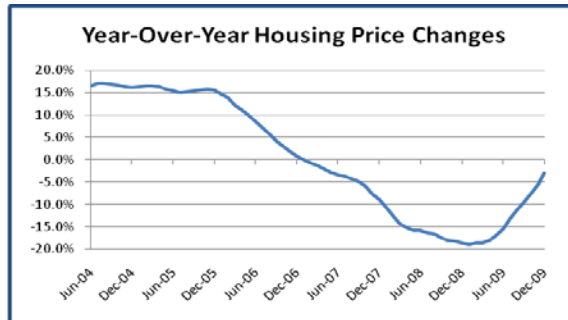


Manufacturing & Service	Prior	Current
ISM manufacturing index	54.9 (Dec)	58.4 (Jan)
ISM non-manufacturing index	49.8 (Dec)	50.5 (Jan)
Durable goods orders	1.9% (Dec)	3.0% (Jan)
Industrial production	0.7% (Dec)	0.9% (Jan)
Capacity utilization	71.9% (Dec)	72.6% (Jan)

Real Estate	Prior	Current
New home sales	348,000 (Dec)	309,000 (Jan)
Existing home sales	5.44 MM (Dec)	5.05 MM (Jan)
Case-Shiller home price index (YOY)	-5.3% (Nov)	-3.1% (Dec)



Data Source: U.S. Census Bureau



Data Source: S&P/Case-Shiller

Inflation	Prior	Current
Consumer price index/Core (YoY)	2.7%/1.8% (Dec)	2.6%/1.6% (Jan)
Producer price index/Core (YoY)	4.4%/0.9% (Dec)	4.6%/1.0% (Jan)

The Federal Reserve, for its part, started and ended the month on a common theme. February 1 marked the end of a number of emergency liquidity programs deemed no longer necessary by Bernanke et al. In similar fashion, this process, referred to as “normalization,” continued later in the month as the discount rate was raised from 0.50% to 0.75%. Although this was not the start of a tightening cycle, monetary policy will be highly scrutinized in coming months. Perhaps of greater interest will be the diminishing wiggle room afforded to fiscal measures as many developed countries bump up against massive deficits and mounting national debt.

Disclaimers

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