

Economic Update

President Barack Obama proposed on Thursday that the nation's biggest banks undergo strict new restrictions on size and trading activities. The reasoning behind the proposition was that the financial system, while stronger today, is still operating under the same regulations that almost led to its collapse. The proposal had many components, including restrictions that prevent banks from becoming so large that they distort the normal competitive environment and put the broader economy at risk.

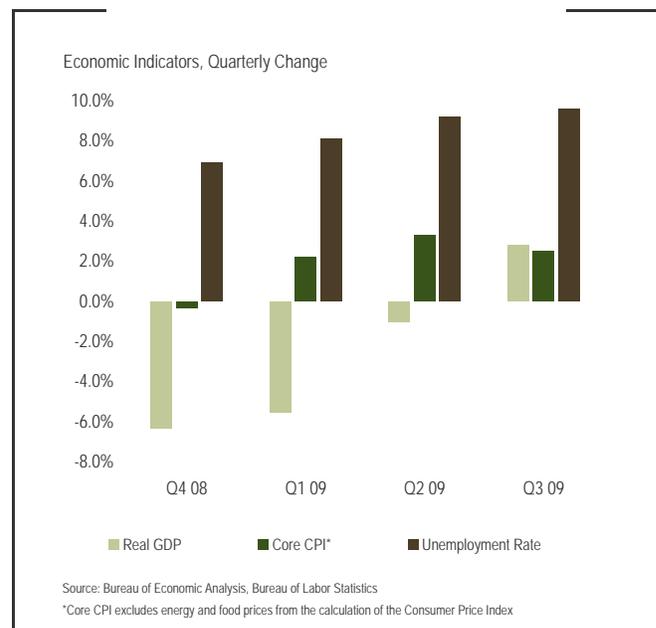
The Conference Board Leading Economic Index for the United States increased sharply in December, proving strong even outside of the yield spread component which has recently dominated the index. Eight of the ten indicators that make up the index were up as it rose 1.1% in the month, adding to the 1.0% increase in November. The report from The Conference Board suggested that these positive movements are a signal that the economy is in a stage of early recovery.

The housing market index experienced a setback in January, decreasing one point to 15 for the month. Home builders have done as much as they can to set the stage a housing recovery by reducing inventories and new construction while lobbying for new buying incentives. According to the National Association of Home Builders, buying conditions have rarely been as good as they are currently, but consumers are still waiting for evidence of improvement in employment and confidence before returning to the market.

The Producer Price Index posted modest gains for the month of December, rising 0.2%. The index slowed after spiking 1.8% in November. The increase can be attributed to a 1.4% increase in food prices and a 0.4% drop in energy prices.

The World Bank had a more positive outlook as it released its first global economic forecasts since mid-2009. The organization revised its estimate of 2010 global growth up to 2.7% from its previously prediction of 2.0%, but warned of the risk of a double-dip slowdown. The Bank expects a strong rebound in developing economies while offering a bleaker outlook in higher-income countries.

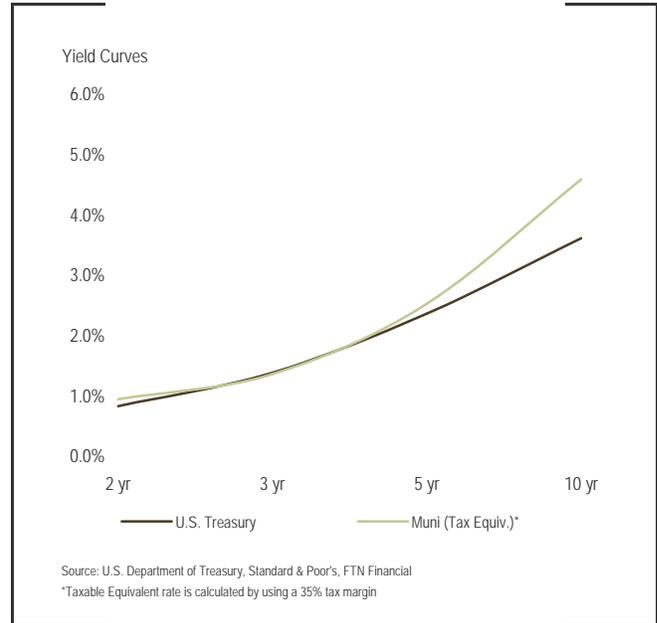
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, Thompsons Reuters, RBC Capital.



Jan. 19 th	Frgn Dmnd for LT US Securities, November	126.8B
Jan. 19 th	Housing Market Index, January	15.0
Jan. 20 th	MBA Purchase Applications Index, Wkly. Chg.	4.4%
Jan. 20 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	2.0%
Jan. 20 th	Housing Starts, December	557,000
Jan. 20 th	Producer Price Index, December Monthly Chg.	0.2%
Jan. 21 st	Initial Jobless Claims (Week ending 1/16)	482,000
Jan. 21 st	Leading Indicators, Dec. Monthly Chg.	1.1%
Jan. 21 st	Philidelphia Fed Survey, January	15.2
Jan. 21 st	EIA Natural Gas Report, Wkly. Chg.	-245 bcf
Jan. 21 st	EIA Petroleum Status Report, Wkly. Chg.	-0.4M Barrels

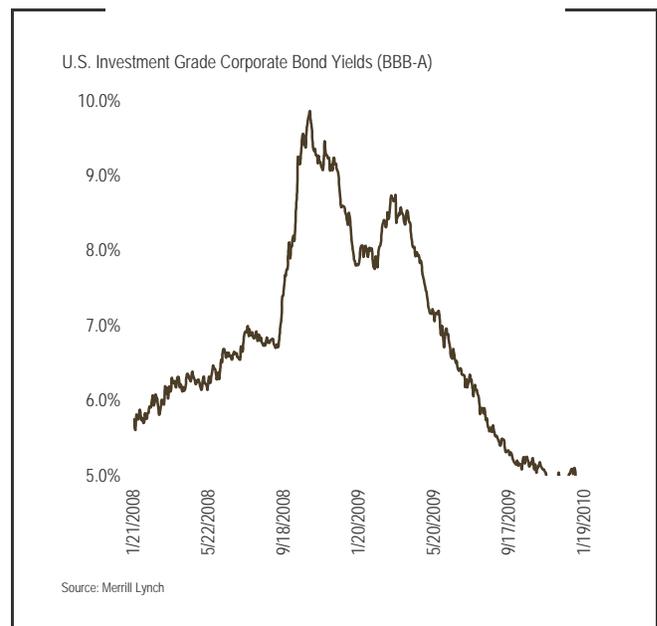
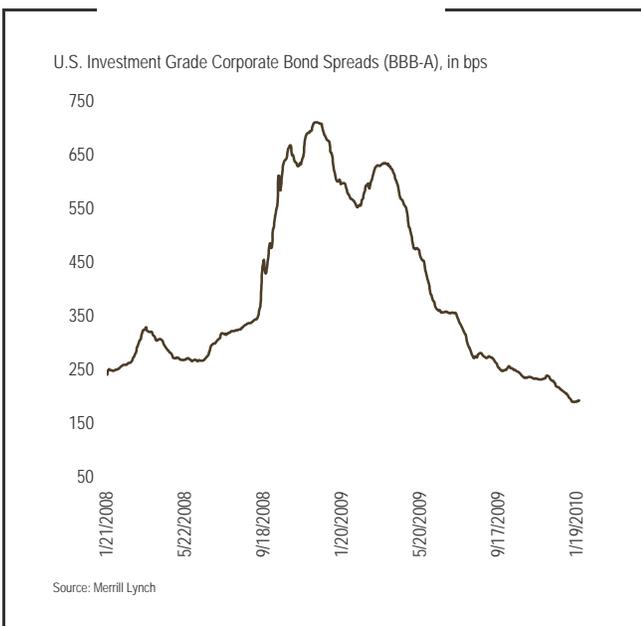
Bond Market Update

U.S. Treasuries rallied for the third straight week amid speculation that the government's bank- regulation plans will slow economic growth. A strong equity market correction, which triggered a flight-to-safety trade, along with preparations for next week's \$118 billion in Treasury note auctions were the primary influences on the government debt market. Treasuries also benefited from comments from Chinese officials suggesting they will need to slow the pace of credit growth after a record 9.59 trillion Yuan (\$1.4 trillion) of new loans in 2009, sparking concerns of real estate and stock price bubbles, according to Bloomberg. The spread, or difference in yields, between corporate bonds and similar maturity Treasuries widened to 2.72%, emphasizing the trade away from riskier asset classes. Meanwhile, the U.S. Treasury Department surveyed bond dealers about the potential market impact of the conclusions of Federal Reserve's mortgage-backed securities purchase program, which is scheduled to close by the end of the first quarter of 2010. Many strategists feel the end of this program will likely have a modest negative impact on the fixed income markets, and financial markets more broadly given the expectation of higher rates for long-term mortgages.



Issue	1.15.10	1.22.10	Change
3 month T-Bill	0.06%	0.06%	-0.00%
2-Year Treasury	0.89%	0.84%	-0.05%
5-Year Treasury	2.44%	2.37%	-0.07%
10-Year Treasury	3.70%	3.62%	-0.08%
30-Year Treasury	4.58%	4.50%	-0.08%

Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.



Stock Market Update

In the worst week since February of 2009, stocks sank on disappointing earnings news and investor worry over new regulations that propose to limit the size of big banks and to curtail excessive proprietary trading. The Dow Jones Industrial Average dropped 436.67 points, or 4.12%, to close Friday at 10,172.98. The broader S&P 500 ended the week at 1,091.76, down 3.9%, or 44.27 points, while the technology-heavy NASDAQ Composite lost 3.61%.

On Tuesday Kraft (KFT) announced that it had entered into an agreement to purchase British confectioner Cadbury Plc for \$19.6 billion. The agreement was reached after months of hostile negotiations just before a midnight deadline when Kraft upped its offer by 10% and increased the cash portion of the offer to 60%. Also on Tuesday, Japan Airlines filed for bankruptcy in Japan's largest non-financial bankruptcy. According to the Wall Street Journal, the restructuring is estimated to take three years.

The selling began on Wednesday when China announced, according to the Wall Street Journal, that it had ordered credit officials to stop making new loans. The announcement was made just days after the move by the People's Bank of China to increase capital requirements in an attempt to cool the Chinese economy. European and Asian stocks dropped on the news.

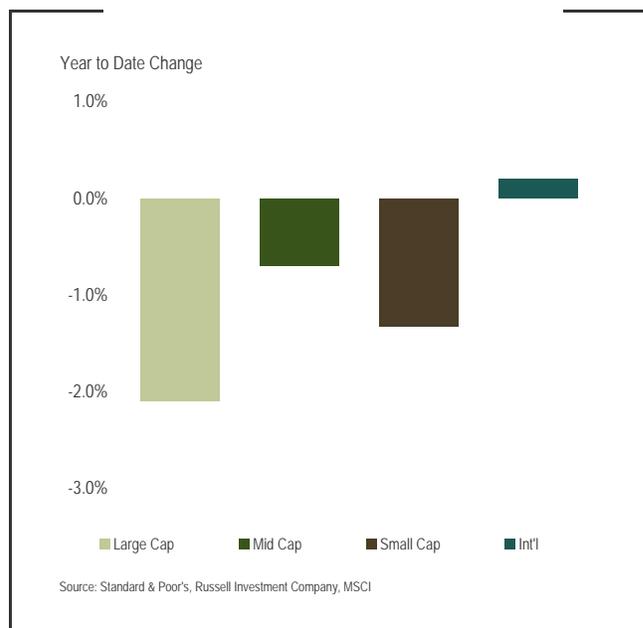
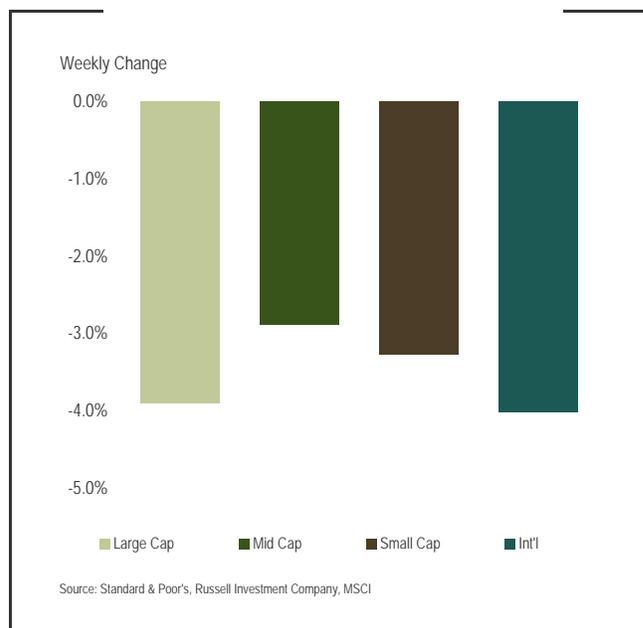
On Thursday, Google (GOOG) reported fourth quarter results that exceed analyst's official expectations but fell short of the higher "whisper" number on Wall Street. In addition, the markets were spooked when President Obama announced his proposal for new bank rules, created under the guidance of former Fed Chairman Paul Volcker, that would limit bank size and trading activities.

The losses were extended into Friday, despite strong earnings results from McDonald's (MCD) and General Electric (GE) and Intuitive Surgical (ISRG), all of which topped analyst consensus estimates.

Issue	1.15.10	1.22.10	Change
Dow Jones	10,609.65	10,172.98	-4.12%
S&P 500	1,136.03	1,091.76	-3.90%
NASDAQ	2,287.99	2,205.29	-3.61%
Russell 1000 Growth	506.04	488.01	-3.56%
S&P MidCap 400	743.11	721.64	-2.89%
Russell 2000	637.96	617.12	-3.27%
MSCI EAFE	1,642.20	1,576.31	-4.01%
MSCI EM	1,013.29	981.17	-3.17%
MSCI Small Cap	150.45	146.01	-2.95%

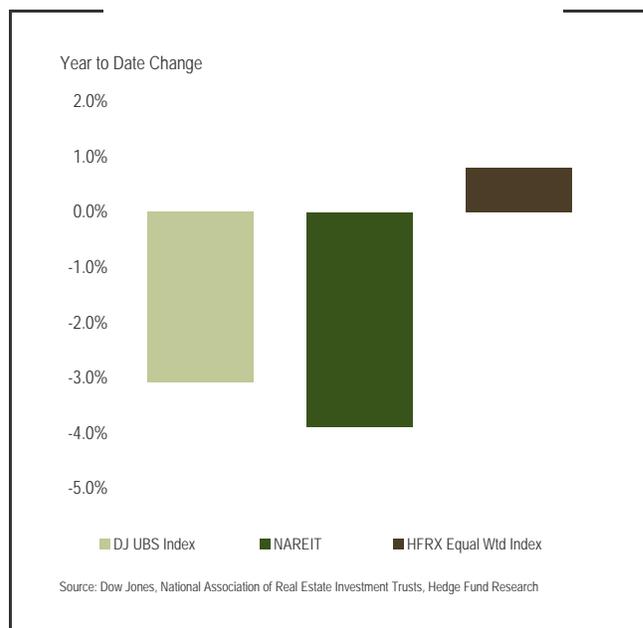
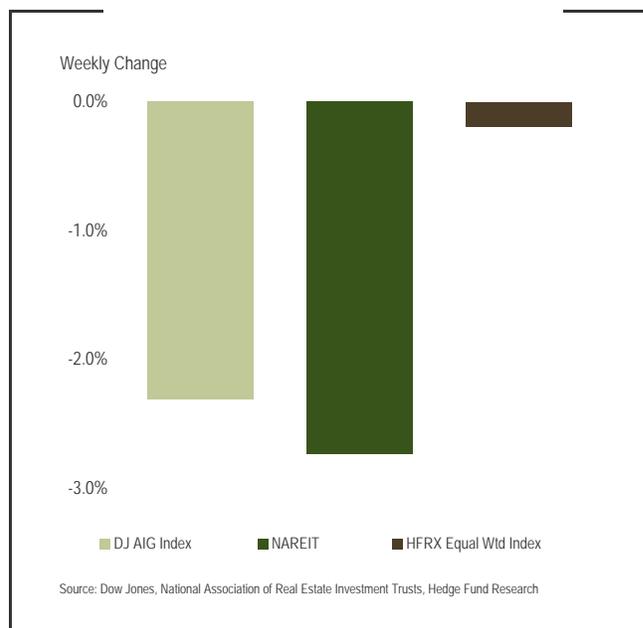
Prices reflect most recent data available at the time of publication

Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch.



Alternative Investments Market Update

Domestic and global political developments had a heavy impact on commodities this week. The dollar rallied in the face of continued concerns about the fiscal health of Greece. European Union finance ministers urged Greece to comply with budget rules and to fix its debt situation without help from the European Central Bank; Greece's debt stands at 13% of GDP, well above the 3% limited imposed by the EU. News that China was taking steps to curb its fast growing real estate market tipped off a round of selling in oil and industrial commodities. Gold, which traditionally serves as a safe have in times of crisis, has lately been tracking movements in stocks also fell as the markets tumbled on heightened concerns over the Obama administration's potential curbs on the US banking industry. In real estate, Moody's released their latest reading for their Real Commercial Property Price Index and it showed that November's 1% rise marked the first increase in commercial property values in 13 months. In a rare glimpse into merger arbitrage deal making, a story in the Wall St. Journal reported that Cadbury's management was fearful of the estimated 30% of outstanding shares now held by hedge funds who might sell in a hurry if the deal wasn't completed. Hedge fund research firm Hennessee published the ten year record of their Hedge Fund Index. According to the report, over the past 10 years hedge funds rose 88% while the DJIA declined 9.3% and the S&P 500 fell 23%.



Issue	Previous Week	Current ¹	Change
Gold	1,130.70	1,093.60	-3.28%
Crude Oil Futures	77.95	74.18	-4.84%
Copper	336.75	334.85	-0.56%
Sugar	27.62	28.78	4.20%
HFRX Equal Wtd. Strat. Index	1,122.81	1,120.68	-0.19%
HFRX Equity Hedge Index	1,155.77	1,152.41	-0.29%
HFRX Equity Market Neutral	983.79	978.54	-0.53%
HFRX Event Driven	1,361.82	1,360.93	-0.07%
HFRX Merger Arbitrage	1,449.99	1,448.30	-0.12%
Dow Jones UBS Commodity Index	138.09	134.90	-2.31%
FTSE/NAREIT All REIT	111.02	107.98	-2.74%

¹ Prices reflect most recent data available at the time of publication
Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research, Bloomberg, The Wall Street Journal, The International Monetary Fund.

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