

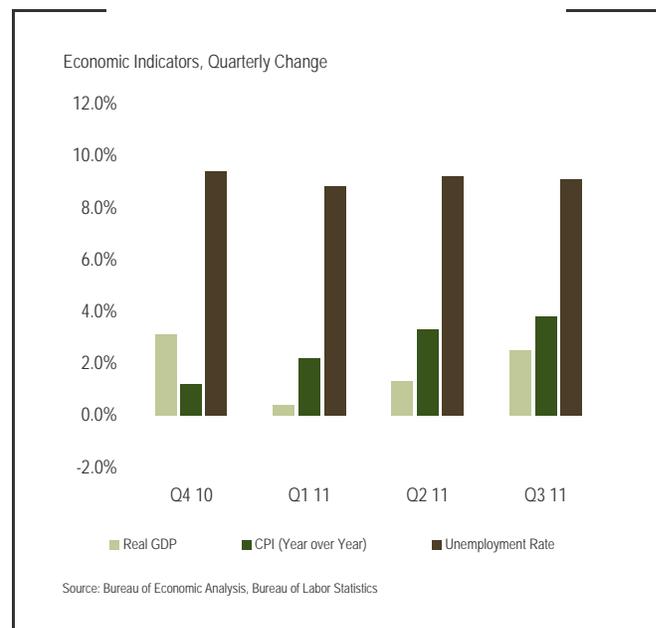
Economic Update

Political theater in the eurozone continued this week, with the Prime Ministers of both Greece and Italy agreeing to step down. George Papandreou submitted his resignation on Thursday after forming a coalition government with the support of the majority of the opposing party. Former European Central Bank vice president Lucas Papademos has been named the interim prime minister of Greece. Italian Prime Minister Silvio Berlusconi also announced he would step down once austerity measures demanded by the EU were adopted by both houses of parliament. The Italian Senate passed the measures on Friday, 156 votes in favor to 12 against, with opposition lawmakers not in attendance. The lower house is expected to vote on Saturday. Italy, with €1.9 trillion in debt – roughly 120% of their GDP – is a much larger problem than Greece.

The U.S. trade gap unexpectedly narrowed in September, according to the Commerce Department. The trade deficit shrank \$1.8 billion to \$43.1 billion as exports increased by 1.4% while imports only increased 0.3%. One of the key drivers to the improvement came from a \$1.55 billion increase in nonmonetary gold exports that may have been a reflection of the flight-to-quality seen in the markets that month. Still, even excluding this, exports were fairly strong which is encouraging.

Inflation pressure is easing in both imports and exports, according to a report from the Commerce Department. Import prices fell 0.6% in October as the cost of petroleum dropped 1.0%. Meanwhile, export prices dropped a sharp 2.1% as agricultural prices fell 6.5%. Year-over-year, import prices are still up 11.0% and exports are up 6.3%, but the report shows the threat of higher inflation may be waning.

The steady, downward trend in initial jobless claims continued last week, according to the Labor Department. The number of U.S. workers filing for first-time unemployment benefits fell to 390,000 for the week ended November 5 from a revised 400,000 the previous week. The four-week average fell 5,250 to 400,000 and now looks poised to break through that key psychological level.



| | | |
|-----------------------|--|---------------|
| Nov. 7 th | Consumer Credit, September Monthly Change | 7.4B |
| Nov. 8 th | ICSC-Goldman Same Store Sales, Wkly. Chg. | 1.0% |
| Nov. 9 th | MBA Purchase Applications Index, Wkly. Chg. | 10.3% |
| Nov. 9 th | Wholesale Inventories, Sep. Monthly Chg. | -0.1% |
| Nov. 9 th | EIA Petroleum Status Report, Wkly. Chg. | -1.4M Barrels |
| Nov. 10 th | International Trade Balance Level, September | -43.1B |
| Nov. 10 th | Initial Jobless Claims (week ending 11/5) | 390,000 |
| Nov. 10 th | Import Prices, Oct. Monthly Chg. | -0.6% |
| Nov. 10 th | Export Prices, Oct. Monthly Chg. | -2.1% |
| Nov. 10 th | EIA Natural Gas Report, Wkly. Chg. | 37 bcf |
| Nov. 11 th | Consumer Sentiment Index, November (p) | 64.2 |

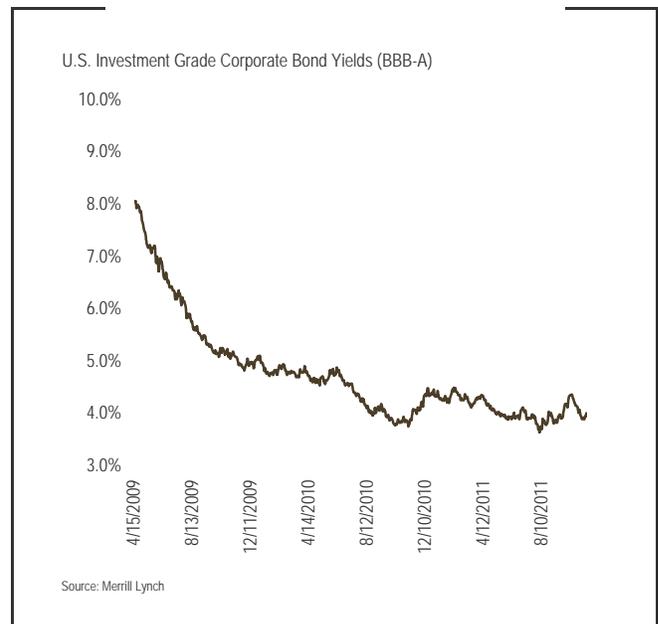
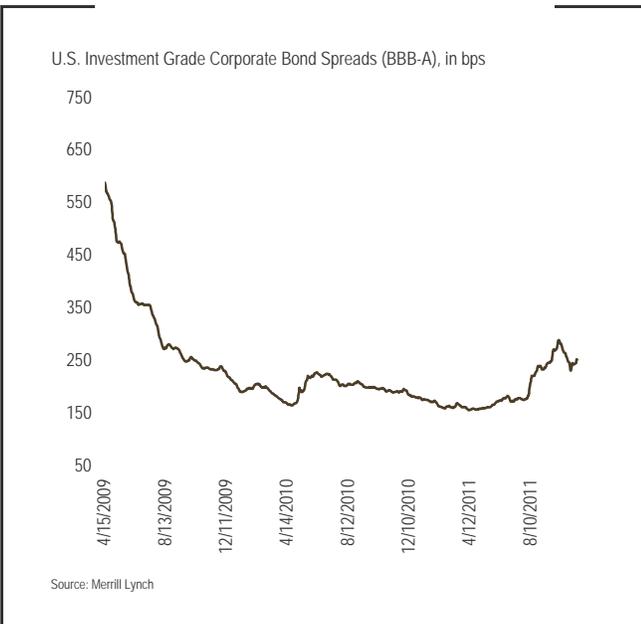
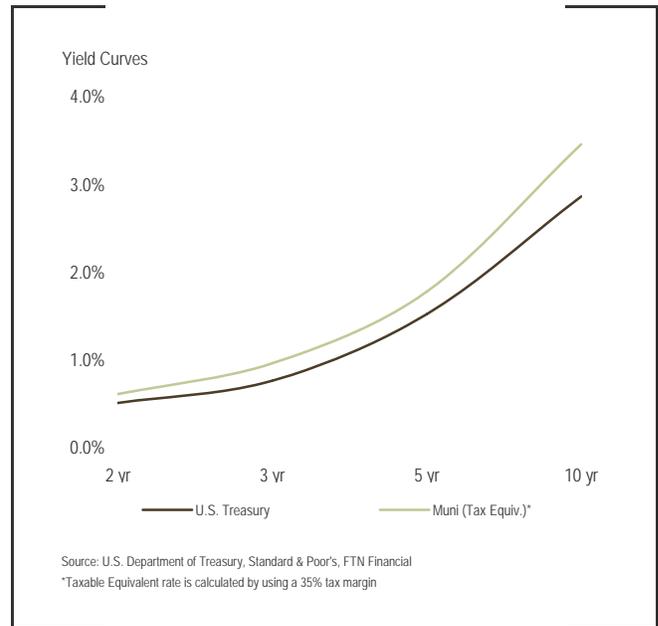
Bond Market Update

After a volatile week, U.S. Treasuries finished mostly unchanged with Italy moving to the center of the crisis on increased fears the country will need emergency aid. Other events that drove volatility included an erroneous report that Standard & Poor's downgraded France along with weaker than anticipated bidding on the week's Treasuries auctions. Investors drove Italy's 10-year bond yield to a new high after LCH Clearnet, a clearing house, increased the deposit it demands for trading in these securities. The country also sold one-year bills at a yield of 6.09%, the highest level in 14 years.

Meanwhile, Standard & Poor's rating agency said a message was erroneously sent to some subscribers suggesting France's AAA rating had been lowered. The error sparked a cutting response from the European Union. "This is a very serious incident. This shows that we are in an extremely volatile situation, that markets are extremely tense, and therefore that players on these markets must be extremely rigorous and exercise a duty of responsibility," EU Internal Market Commissioner Michel Barnier said in a statement. In a sign of heightened market anxiety, this incident sparked the worst day for Frances' government bonds since before the euro was launched in 1999. Market strategists feel that although S&P marked the alert as accidental, it suggests the ratings agency is likely deep in review of the country, feeding concerns that Europe's debt problems may engulf the region's second largest economy.

| Issue | 11.4.11 | 11.11.11 | Change |
|------------------|---------|----------|--------|
| 3 month T-Bill | 0.01% | 0.01% | 0.00% |
| 2-Year Treasury | 0.24% | 0.24% | 0.00% |
| 5-Year Treasury | 0.91% | 0.90% | -0.01% |
| 10-Year Treasury | 2.09% | 2.04% | -0.05% |
| 30-Year Treasury | 3.10% | 3.12% | 0.02% |

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



Stock Market Update

The stock market rose four out of five days and finished the week in positive territory as plans are beginning to take motion with the bailout efforts of Greece and Italy. The Dow Jones Industrial Average closed at 12,153.68, up 170 points for the week, or up 1.42%. The broader S&P 500 Index ended the week up 0.85% to close at 1,263.85, while the NASDAQ Composite finished down 0.28%, closing the week at 2,678.75.

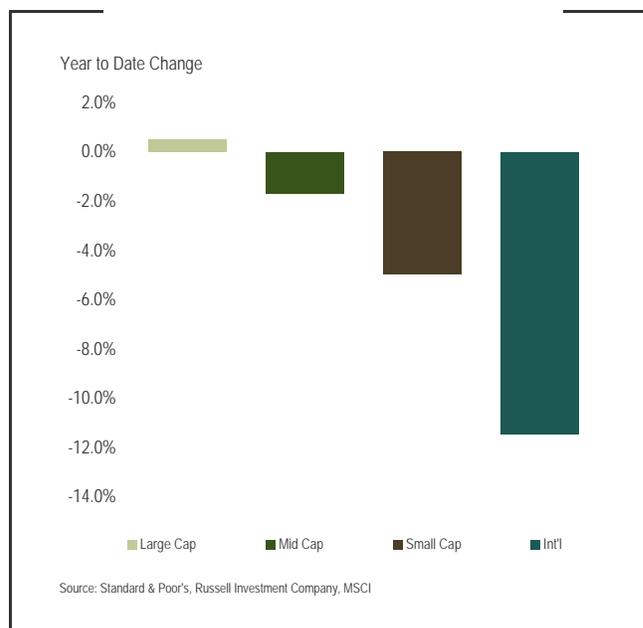
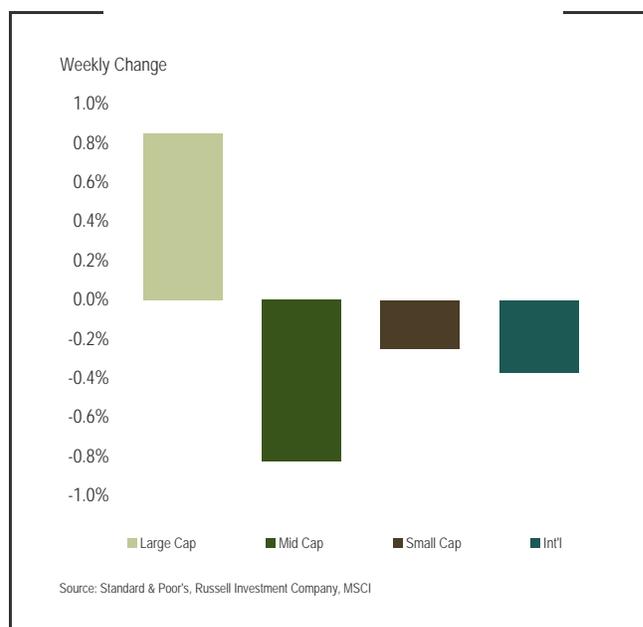
Shares of European companies rallied on the news that efforts are in place and a plan is being implemented for the bailout of European sovereign debt. Part of the plan was for the Greece Prime Minister, George Papandreou, to step down, which he did on Thursday. Friday morning Greece swore in a new PM, Lucas Papademos, a former banker and European Central Bank Vice President, who will now form a new national, unified government. Italy followed suit and passed several measures that will allow for the resignation of Prime Minister Silvio Berlusconi over the weekend.

Shares of Cisco Systems (CSCO), the world's largest maker of networking equipment, rose over 5% after the company hosted its quarterly conference call this week. John Chambers, CEO, has discussed a turnaround plan in prior calls with an emphasis on boosting profits. The plan that has taken shape involves scaling back operational expenses, revamping the management structure and refocusing on the core products of the business.

Shares of Green Mountain Coffee Roasters (GMCR), one of the best growth stories over the past couple of years, dropped over 30% after announcing fourth quarter earnings this week. A stock that was once a high flyer and trading around \$110 in September is trading under \$50 to end the week. The results were lackluster, and many feel the growth story has been overhyped.

| Issue | 11.4.11 | 11.11.11 | Change |
|---------------------|-----------|-----------|--------|
| Dow Jones | 11,983.24 | 12,153.68 | 1.42% |
| S&P 500 | 1,253.23 | 1,263.85 | 0.85% |
| NASDAQ | 2,686.15 | 2,678.75 | -0.28% |
| Russell 1000 Growth | 588.04 | 590.09 | 0.35% |
| S&P MidCap 400 | 899.46 | 892.06 | -0.82% |
| Russell 2000 | 746.49 | 744.64 | -0.25% |
| MSCI EAFE | 1,466.29 | 1,460.88 | -0.37% |
| MSCI Small Cap | 973.99 | 953.95 | -2.97% |

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

Gold ended the week up 1.91%, or \$33.60, to settle at \$1,789.90 an ounce. The precious metal suffered declines early in the week, which subsequently enticed buyers back, enabling the metal to end the week up. Signs of the dollar weakening provided additional support for the metal's weekly gain. Crude oil also posted gains this week, up 4.89%, closing at \$98.97 a barrel.

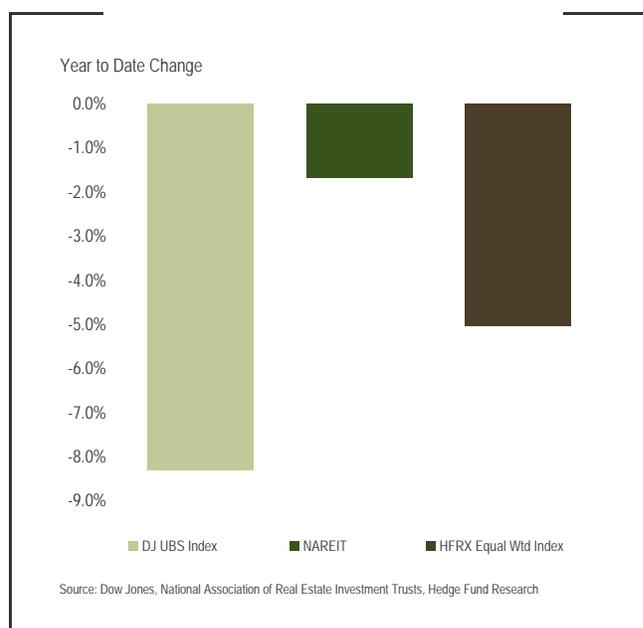
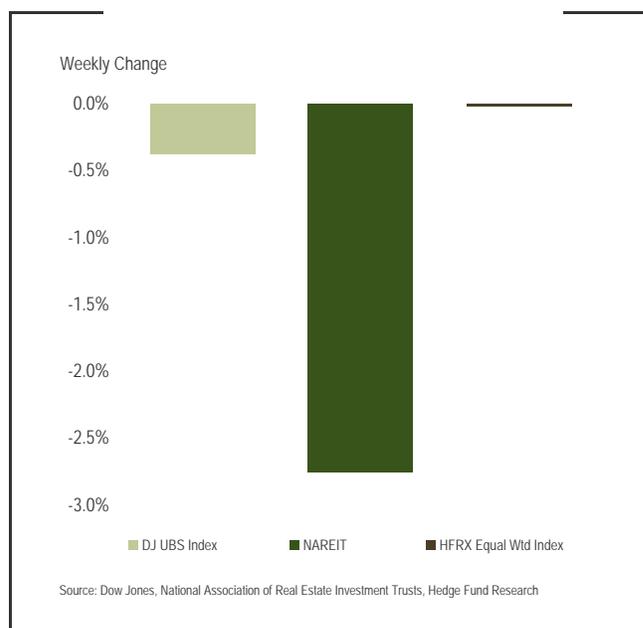
Real estate investment trusts (REITs) are currently in a better position to withstand another recession than they were in 2008. In a report from Moody's Analytics, REITs are now in a more favorable position to cover their debt maturities over the next 18 months compared to where they were prior to the recession three years ago. Analysts also claim REITs having large asset pools provides investors an avenue to raise cash during a potential crisis. Furthermore, many believe the majority of property sectors have either reached or are approaching troughs in their rental rates, which essentially allows REITs to have more cushion should the country slip into another recession. Last month, Moody's Analytics projected the probability of a recession within the next six months to be 45%, up from its June 2011 estimate of 26%, and do not expect an improvement anytime soon.

According to a report from FinAlternatives, hedge fund managers should expect "a large influx of capital" from institutional sources over the next 12 months. Industry data provider Preqin noted assets could reach the pre-financial crisis mark of \$2.6 trillion this time next year. Their predictions were based on a poll of 64 hedge fund investors, which revealed 80% are considering investing with new managers over the next 12 months and the remaining 20% stating they would focus on their relationships with existing managers. Also, 38% of investors plan to increase their allocations to hedge funds over the next year, while only 9% intend to cut back. The poll found that 20% of investors had more confidence in hedge funds now than they did in 2010, while 66% said they felt the same level of confidence. In terms of strategy-specific funds, the most popular was long/short equity, which 38% of investors said they were seeking.

| Issue | Previous Week | Current ¹ | Change |
|-------------------------------|---------------|----------------------|--------|
| Gold | 1,756.30 | 1,789.90 | 1.91% |
| Crude Oil Futures | 94.36 | 98.97 | 4.89% |
| Copper | 356.00 | 349.05 | -1.95% |
| Sugar | 25.57 | 25.00 | -2.23% |
| HFRX Equal Wtd. Strat. Index | 1,108.69 | 1,108.48 | -0.02% |
| HFRX Equity Hedge Index | 1,019.46 | 1,016.68 | -0.27% |
| HFRX Equity Market Neutral | 983.99 | 987.37 | 0.34% |
| HFRX Event Driven | 1,322.19 | 1,320.44 | -0.13% |
| HFRX Merger Arbitrage | 1,495.73 | 1,483.33 | -0.83% |
| Dow Jones UBS Commodity Index | 149.48 | 148.93 | -0.37% |
| FTSE/NAREIT All REIT | 135.88 | 132.14 | -2.75% |

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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