

## Economic Update

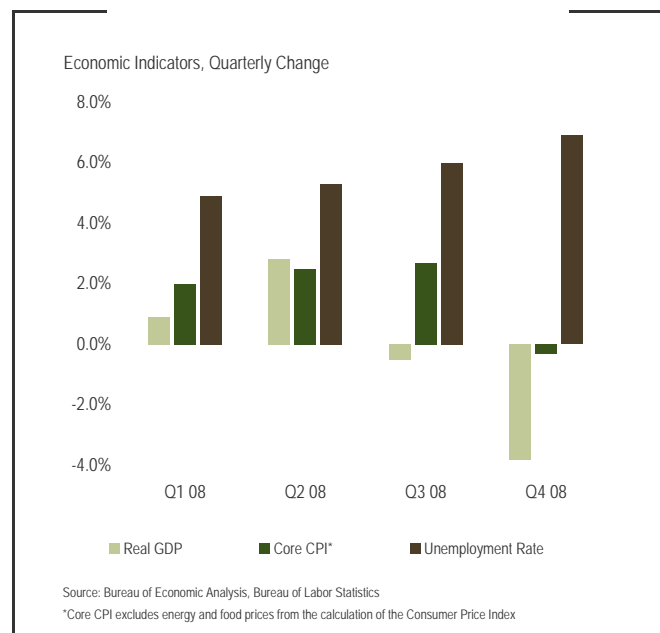
Unemployment data released on Friday showed that labor markets are continuing their downward trend, leaving no end in sight to the bleak economic landscape. The unemployment rate, calculated using household surveys, jumped 0.5% to a 25-year high of 8.1%. A Morningstar report confirms that the U.S. economy lost 651,000 jobs in February, marking the fourth month in a row of 600,000-plus job losses. The large decline in labor is a result of companies responding quickly to decreasing demand and increasing costs.

Another report released by the Department of Labor shows non-farm business productivity falling 0.4% in the fourth quarter. The Wall Street Journal reported that even though productivity was negative, the fact that the decrease was slight in the face of a severe recession is encouraging. Unit labor costs, an important inflationary gauge, jumped 5.7% in the final quarter of 2008. However, these costs are up just 1.8% from a year ago suggesting that inflation remains under control.

The Bureau of Economic Analysis announced on Monday that personal income increased \$44.8 billion (0.4%) and disposable personal income (DPI) increased \$183.0 billion (1.7%) in January. Personal consumption expenditures also increased in January by 0.6%. According to the report, pay raises for federal civilian and military personnel aided the monthly increases.

The Institute for Supply Management released data on industry performance this week. Arts, Entertainment, and Recreation was the only industry to report growth.

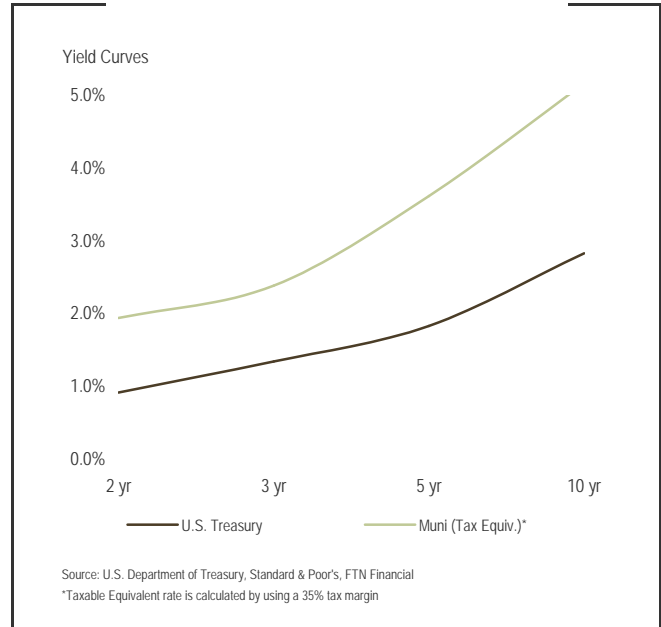
Prospects for near-term improvement in economic conditions appear to be poor. The Wall Street Journal reports that many CFOs expect the recession to continue for another 14 months.



Mar. 2 <sup>nd</sup>	Personal Income, Jan. Monthly Chg.	0.4%
Mar. 2 <sup>nd</sup>	Consumer Spending, Jan. Monthly Chg.	0.6%
Mar. 2 <sup>nd</sup>	ISM Mfg. Index - Level, February	35.8
Mar. 2 <sup>nd</sup>	Construction Spending, Jan. Monthly Chg.	-3.3%
Mar. 3 <sup>rd</sup>	Domestic Motor Vehicle Sales, February	6.4M
Mar. 3 <sup>rd</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.6%
Mar. 3 <sup>rd</sup>	Pending Home Sales, Jan. Monthly Chg.	-7.7%
Mar. 4 <sup>th</sup>	MBA Purchase Applications	236.4
Mar. 4 <sup>th</sup>	Announced Layoffs, February	186,350
Mar. 4 <sup>th</sup>	Non-farm Payrolls, Feb. Monthly Chg.	-697,000
Mar. 4 <sup>th</sup>	ISM Non-Mfg. Index, February	41.6
Mar. 4 <sup>th</sup>	EIA Petroleum Status Report, Wkly. Chg.	-0.7M Barrels
Mar. 5 <sup>th</sup>	Initial Jobless Claims, Wkly. Chg.	369,000
Mar. 5 <sup>th</sup>	Non-farm Productivity, Q4 08	-0.4%
Mar. 5 <sup>th</sup>	Non-farm Unit Labor Costs, Q4 08	5.7%
Mar. 5 <sup>th</sup>	EIA Natural Gas Report, Wkly. Chg.	-102 bcf
Mar. 6 <sup>th</sup>	Unemployment Rate, February	8.1%
Mar. 6 <sup>th</sup>	Consumer Credit, January Change	\$1.8B

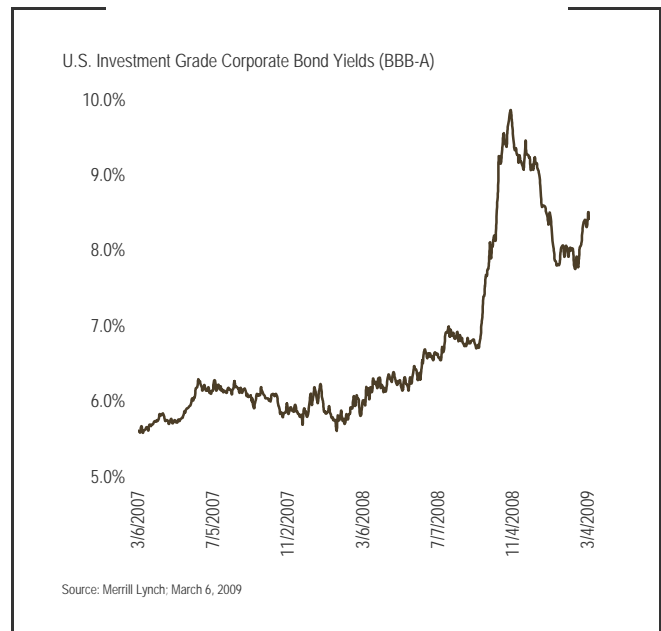
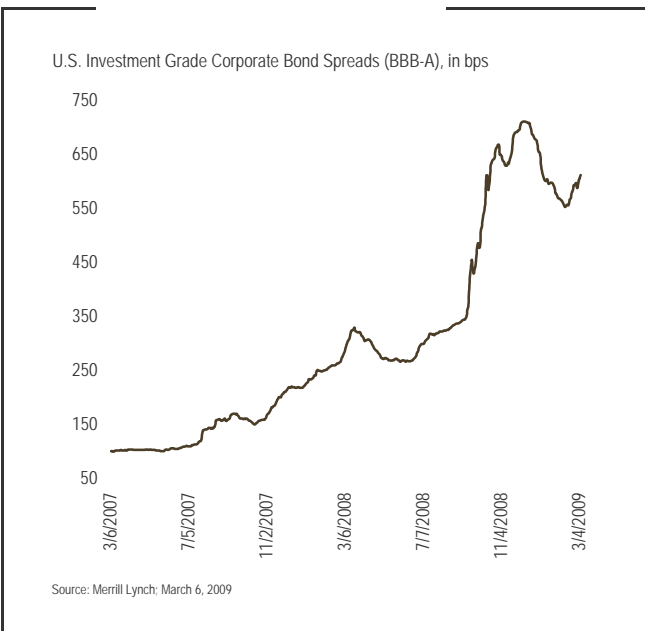
Bond Market Update

The bond market proved very resilient this week as details regarding tax increases, universal healthcare, and President Obama's spending plan became clearer to investors. Ongoing fears over the health of the banking sector continued to push investors towards government bonds in another round of safe haven buying. For the week, yields on the benchmark 10 and 30 year US Treasuries declined by 19 and 21 basis points respectively. Despite the rise in Treasury bond prices this week, intraday volatility was very large. Prices stayed relatively neutral until Wednesday, when worries about the government's ability to pay for the announced mortgage bailout package sent bond yields up nearly 15 bps. Thursday saw flight to quality buying in just as large an amount as the day prior. But by Friday, fears of the GM bailout, rising government deficits, more weak economic data releases and unemployment topping 8% contributed to a modest sell-off. Overseas, the Bank of England cut their benchmark short term rate to 0.5% and stepped up their quantitative easing measures. The European Central Bank dropped their rate to 1.5%.



Issue	2.27.09	3.6.09	Change
3 month T-Bill	0.26%	0.21%	-0.05%
2-Year Treasury	1.00%	0.91%	-0.09%
5-Year Treasury	1.99%	1.83%	-0.16%
10-Year Treasury	3.02%	2.83%	-0.19%
30-Year Treasury	3.71%	3.50%	-0.21%

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



Stock Market Update

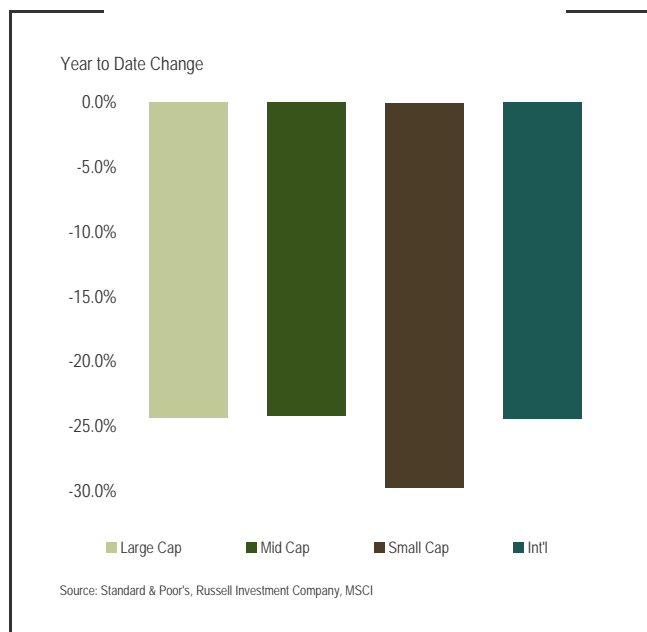
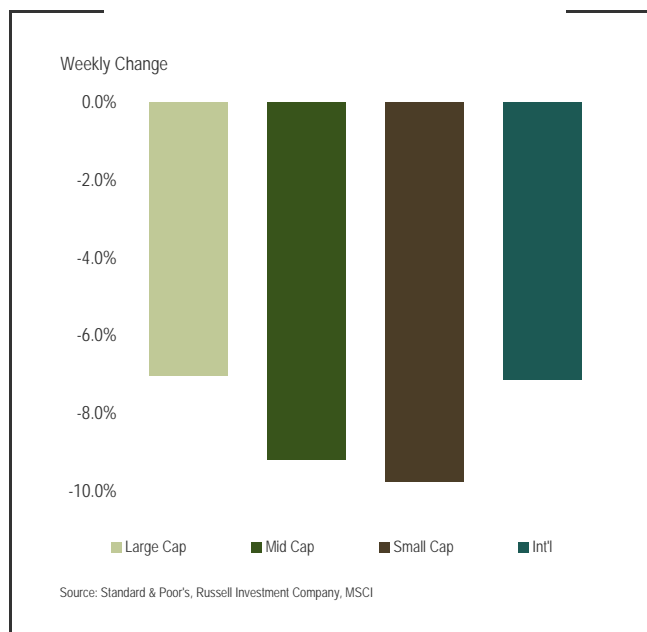
Stocks ended a difficult week on a positive note with a rally late Friday to close in positive territory. However, all the major stock indexes ending the week down with the Dow Jones Industrial Average closing at 6,626.94, down 435.99 points or 6.17% and the broader S&P 500 closing at 683.38, down 51.71 points or 7.03%. The DJIA and S&P 500 are now down for the year 24.49% and 24.34%, respectively. The declines were led by the financial sector, which lost 18.68% of its value over the week and now has lost over 50% of its value in 2009. Healthcare and consumer staples lead for the week, losing just 3.0% and 3.19%, respectively.

The Wall Street Journal reported on Monday that the federal government planned to revamp the bailout of insurance giant, American International Group (AIG). The new plan provides an additional \$30 billion of TARP funds and eases the financial strain on AIG caused by steep interest and dividend payments to the government. After reporting dismal February sales numbers on Tuesday, General Motors's (GM) auditor raised doubts about the company's ability to continue existing as a going concern. The announcement coincided with announcements from GM executives that they are more open to an expedited bankruptcy orchestrated and financed by the government.

After cutting its dividend for the first time in 71 years, General Electric (GE) failed to overcome speculation that losses from its GE Capital finance unit would threaten the company's coveted AAA rating. Shares of GE's equity came under pressure on Wednesday before paring its losses Thursday and Friday. Wells Fargo announced Friday that it would cut its dividend to \$.05 per share from \$.34 per share to allow the company to retain an additional \$5 billion each year. Investors cheered the move and sent shares of the San Francisco based bank up \$0.49 or 6.03% on Friday.

Issue	2.27.09	3.6.09	Change
Dow Jones	7,062.93	6,626.94	-6.17%
S&P 500	735.09	683.38	-7.03%
NASDAQ	1,377.84	1,293.85	-6.10%
Russell 1000 Growth	325.77	308.51	-5.30%
S&P MidCap 400	449.44	408.13	-9.19%
Russell 2000	389.02	351.05	-9.76%
MSCI EAFE	1,007.42	935.58	-7.13%
MSCI EM	505.84	488.15	-3.50%
MSCI Small Cap	84.44	81.63	-3.33%

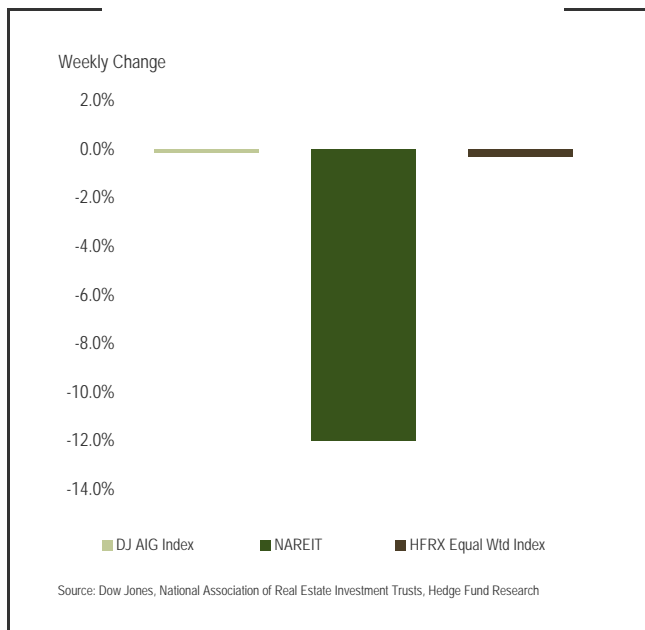
Prices reflect most recent data available at the time of publication  
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch.



Alternative Investments Market Update

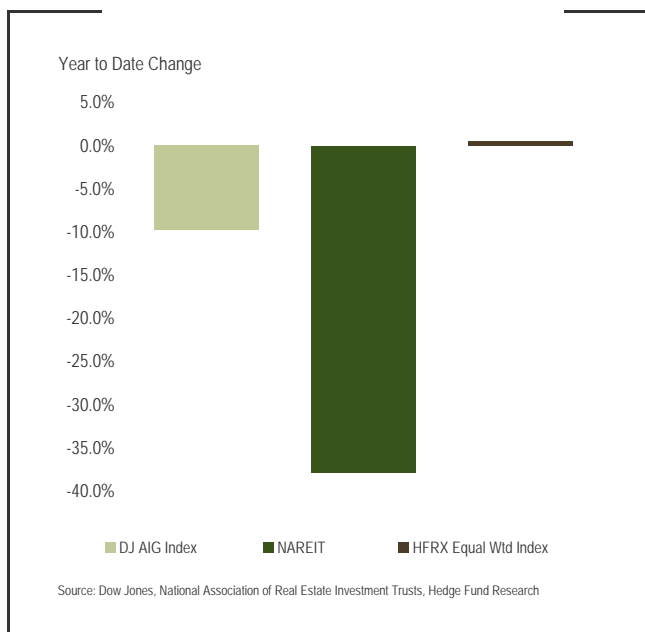
After declining for eight consecutive sessions, Gold regained strength, climbing 2.3% on Thursday and 1.6% on Friday. Bloomberg reported that the directional change was likely due to investors seeking alternatives to stocks and government bonds as they responded to the latest weak unemployment data. Crude oil rose to a five week high, climbing 4.4% on Friday, while the US dollar weakened against the euro.

The New York Times reported that the billionaire financier Carl Icahn invested an additional \$250 million into the Icahn Fund Ltd., which was down approximately 33% at the end of January. This infusion is an attempt to avoid selling shares as investors request more than \$1 billion in redemptions.



Issue	Previous Week	Current <sup>1</sup>	Change
Gold	942.50	942.70	0.02%
Crude Oil Futures	44.76	45.52	1.70%
Copper	1.54	1.69	9.74%
Sugar	19.70	19.30	-2.03%
HFRX Equal Wtd. Strat. Index	1,011.54	1,008.41	-0.31%
HFRX Equity Hedge Index	988.42	990.89	0.25%
HFRX Equity Market Neutral	1,032.57	1,029.28	-0.32%
HFRX Event Driven	1,176.69	1,171.15	-0.47%
HFRX Merger Arbitrage	1,345.01	1,339.47	-0.41%
Dow Jones AIG Commodity Index	105.99	105.83	-0.15%
FTSE/NAREIT All REIT	62.19	54.73	-12.00%

<sup>1</sup> 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.



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