

# Index Financial Advisors LLC

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Quarterly Market Analysis

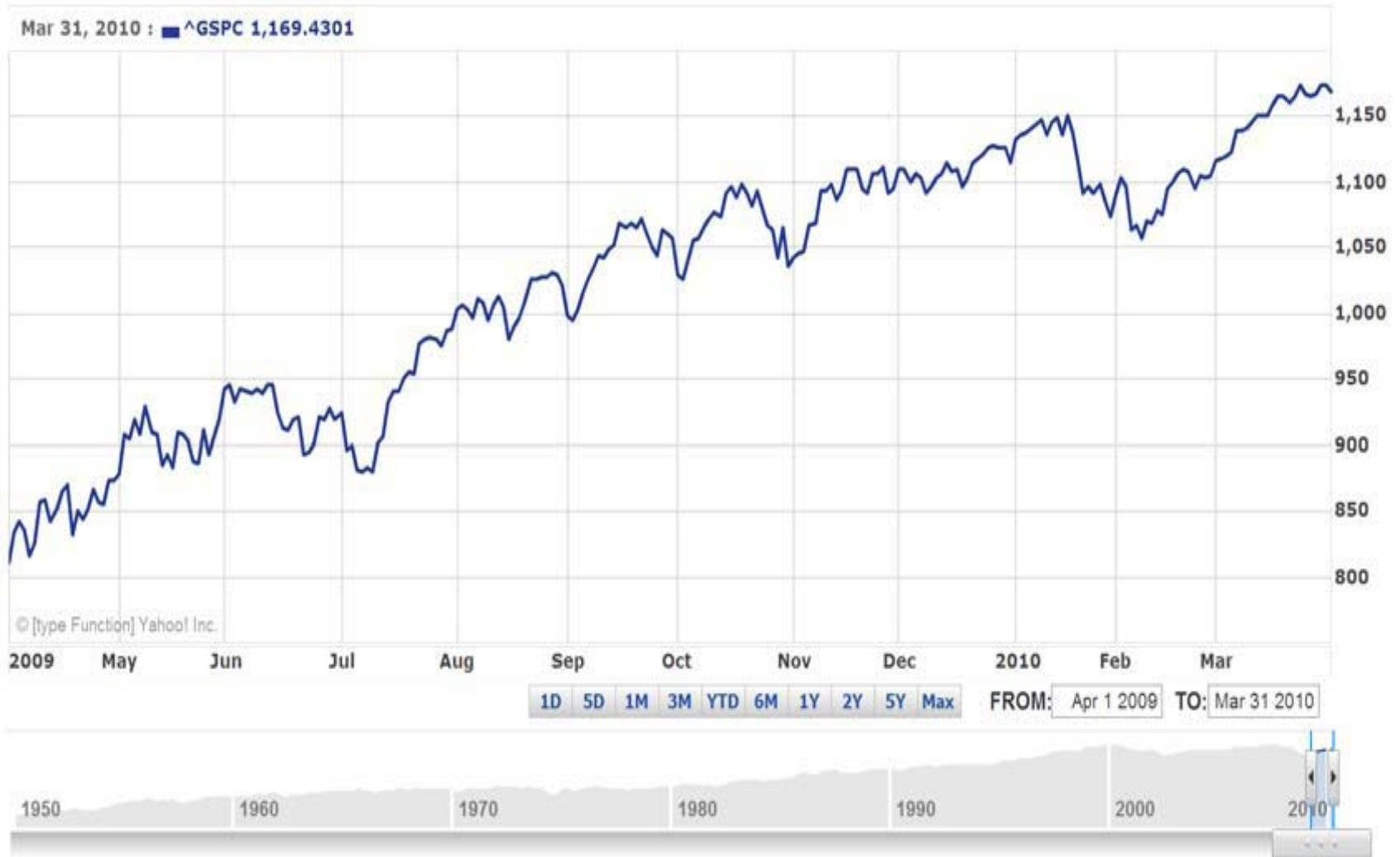
March 31, 2010

# Market Commentary (1Q2010)

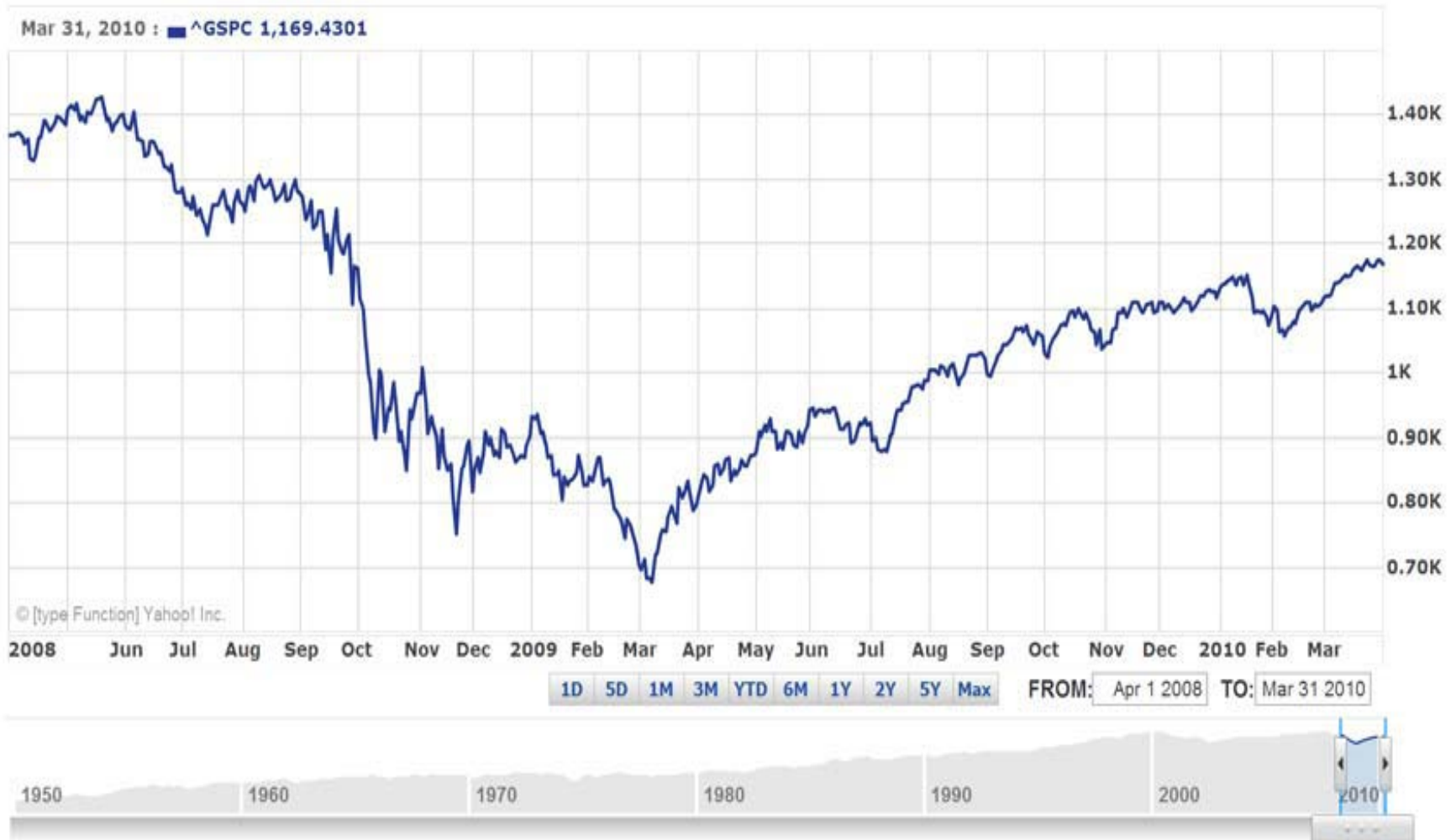
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- Equity markets continue to recover, anticipating economic growth
- But S&P 500 still below previous peak established in late 2007
- Economic growth accelerates to 5.7% in 4<sup>th</sup> quarter of 2009
- New jobs are created, but unemployment remains high at 9.7%
- Housing market hits bottom, but sales and prices still weak
- Consumer confidence returns, and retail spending improves
- Manufacturing activity picks up as inventories are replenished
- Corporate earnings rebound on cost cuts, beating estimates
- Index of leading economic indicators continues to point higher
- Survey of economists forecasts moderate growth and low inflation
- Upside potential: rapid growth in global economy, corporate earnings
- Downside risks: real estate market, unemployment, interest rates
- Future returns likely to be moderate, volatile, and less correlated
- Portfolios should be rebalanced to long term, diversified allocation

# Market Rebound Continues



# But Still Below Previous Peak



# Economic Growth Picks Up

## REAL GDP

Change from previous quarter at annual rate, seasonally adjusted

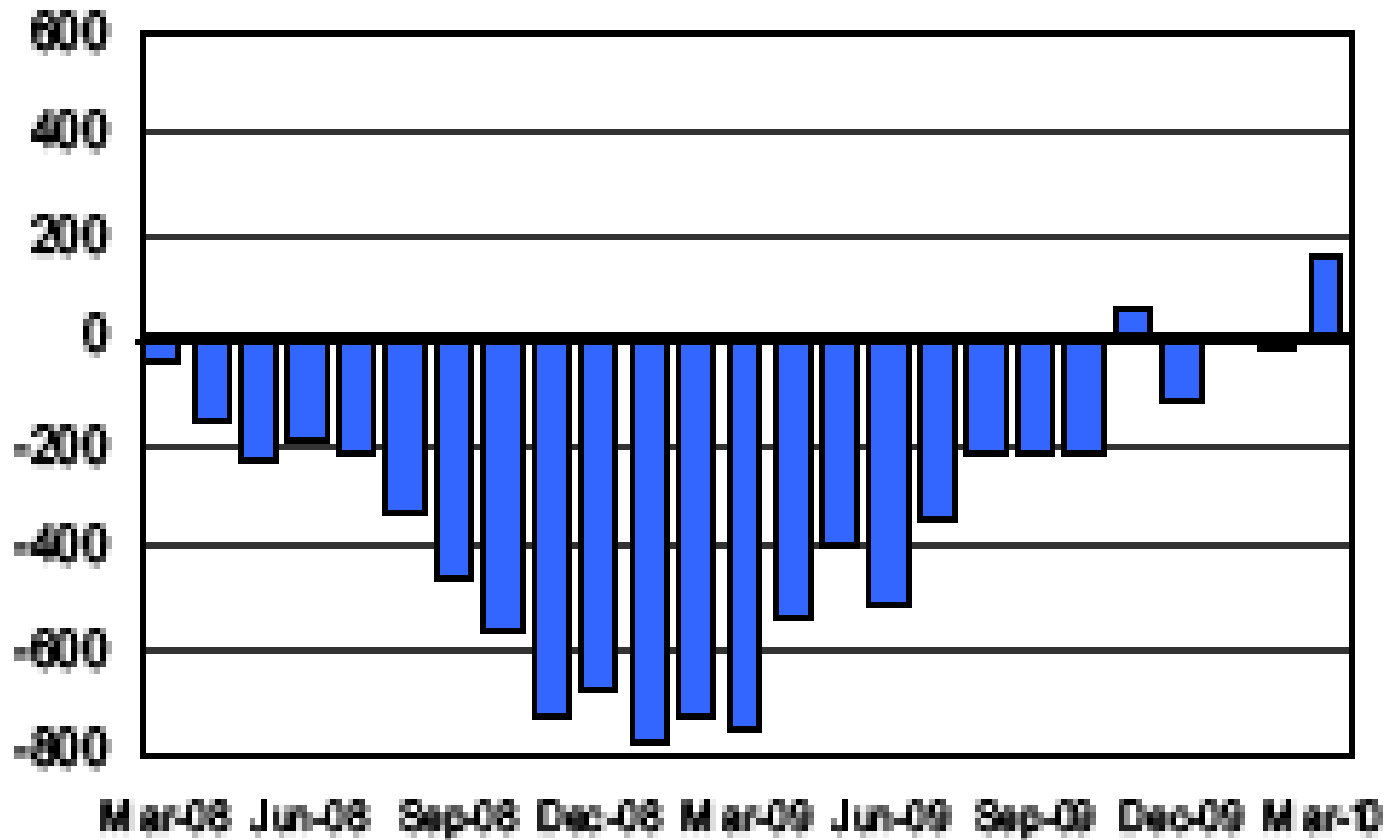


Source: Department of Commerce

# Some New Jobs Are Added

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Thousands



# Unemployment Remains High

## UNEMPLOYMENT RATE

Seasonally adjusted

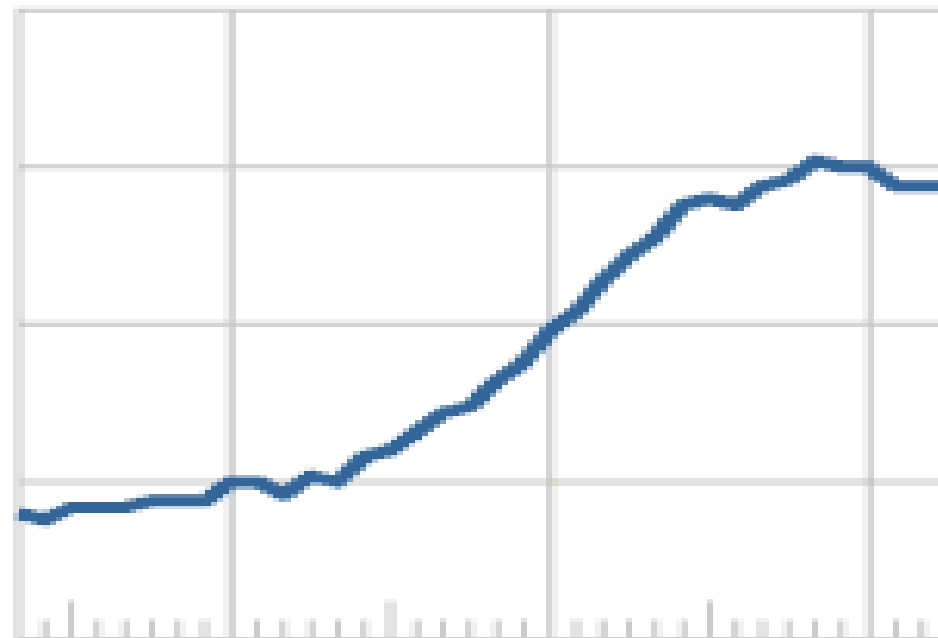
12.5%

10.0

7.5

5.0

2.5

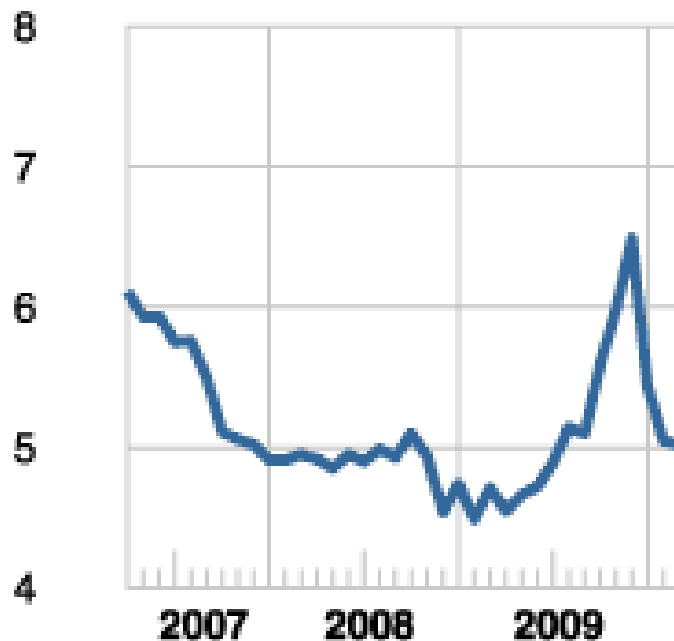


Source: Bureau of Labor Statistics

# Housing Market Bottoms Out

## EXISTING-HOME SALES

Annual rate, in millions of units, seasonally adjusted



Source: National Association of Realtors

## HOUSING STARTS

Annual rate in millions of units, seasonally adjusted



Source: Department of Commerce



# Consumer Confidence Returns

## CONSUMER CONFIDENCE

Index stood at 100 in 1985, its base year



Source: Conference Board

## RETAIL SALES

In billions, seasonally adjusted



Source: Department of Commerce

# Manufacturing Activity Rises

## INDUSTRIAL PRODUCTION

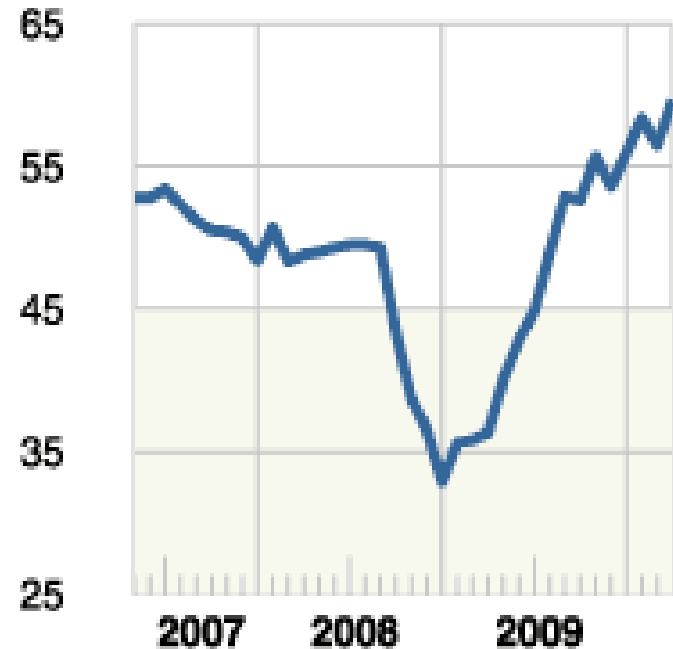
Change from previous month, seasonally adjusted



Source: Federal Reserve

## PURCHASING MANAGERS' INDEX

Reading above 50 indicates expansion in manufacturing activity



Source: Institute for Supply Mgmt.

# Deflation Replaced by Inflation

## PRODUCER PRICES

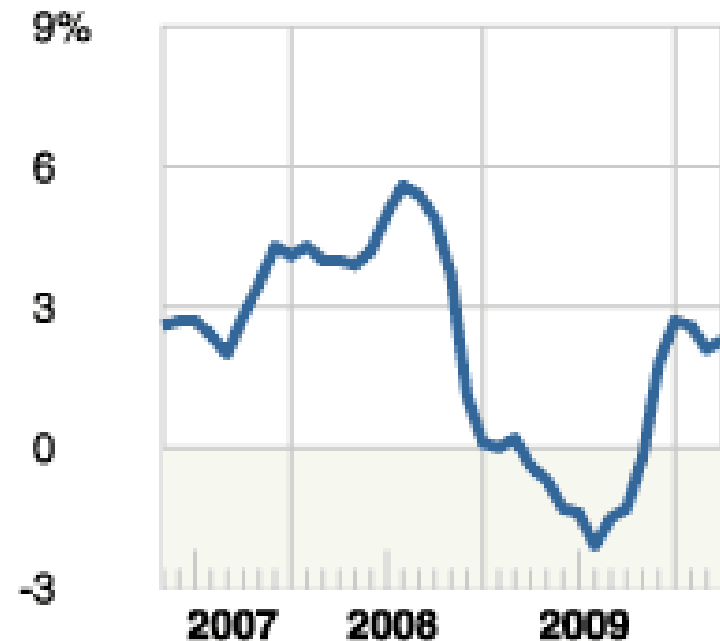
Change from previous year, not seasonally adjusted



Source: Bureau of Labor Statistics

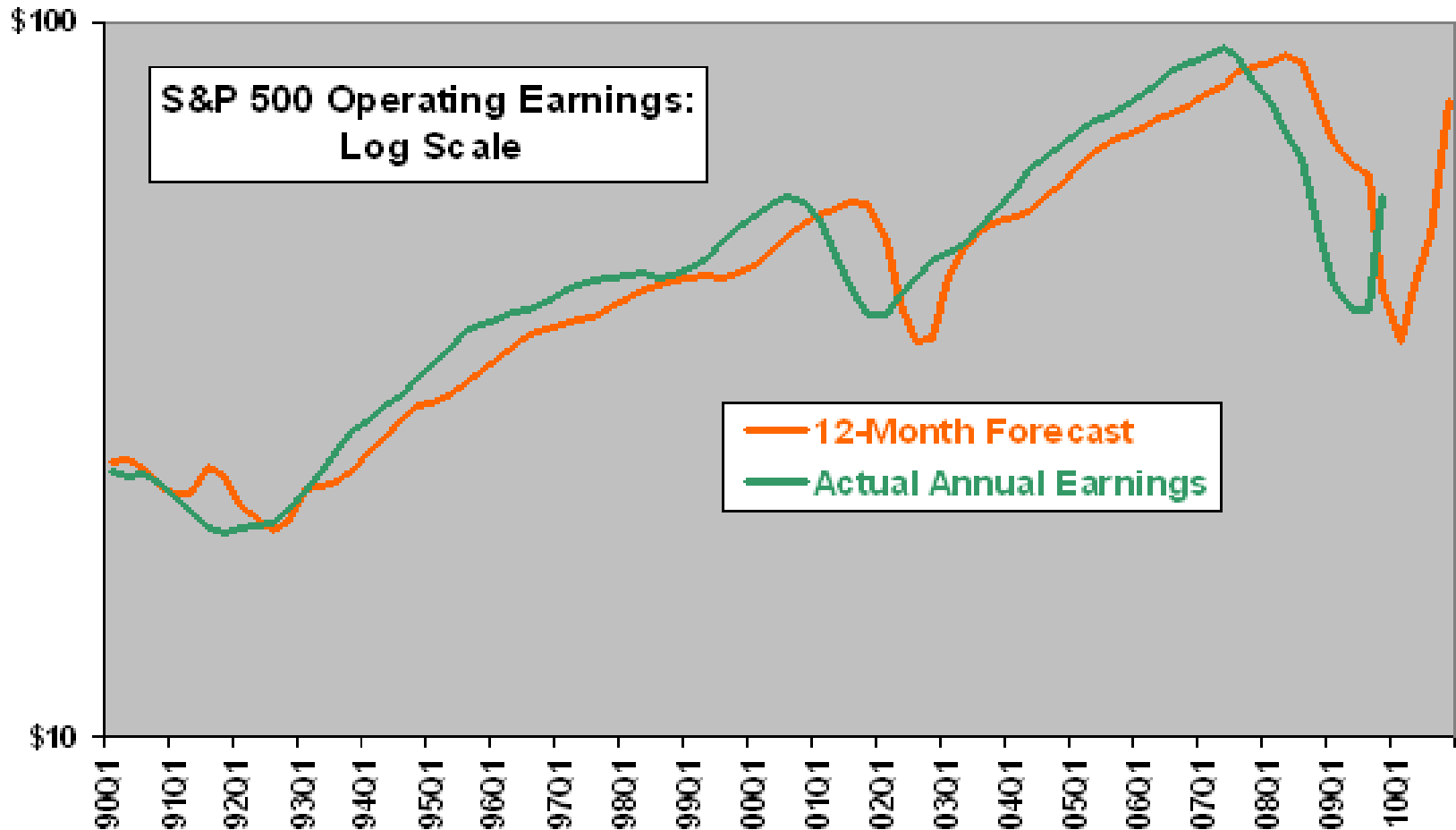
## CONSUMER PRICES

Change from previous year, not seasonally adjusted

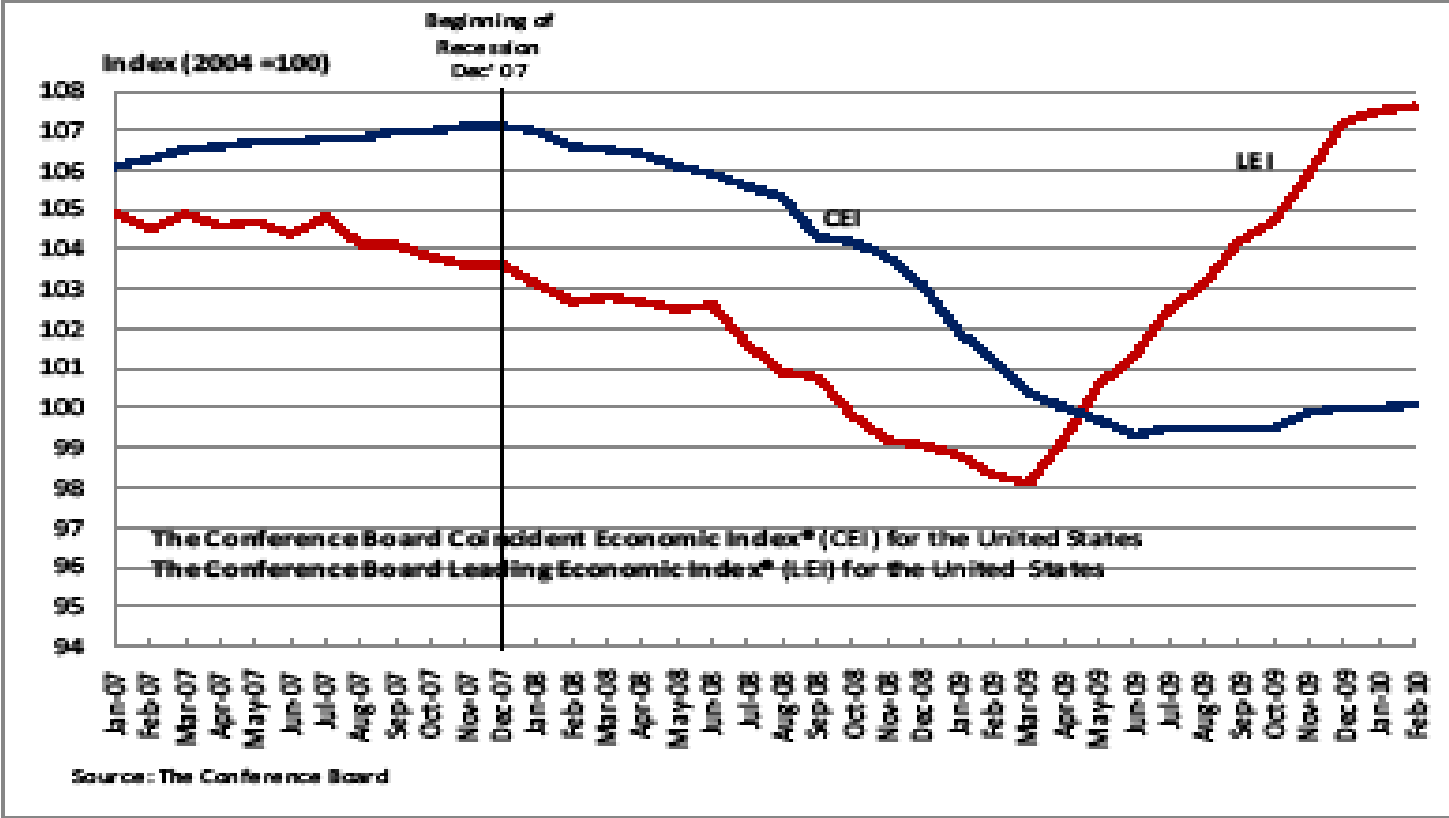


Source: Bureau of Labor Statistics

# Corporate Earnings Rebound



# Economic Indicators Point Up



# Survey of Economic Forecasts

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□ GDP Growth	3.1% for 2010
□ Unemployment	9.3% in December
□ Home Prices	+ 0.7% for 2010
□ Inflation (CPI)	1.8% in December
□ Crude Oil Price	\$83 in December
□ Fed Funds Rate	.75% in December
□ Treasury Rate (10 yr.)	4.3% in December

Source: WSJ.com

# Market Index Returns (1Q2010)

