ANALYTICS INVESTMENT ADVISORS, LLC

The 2009 Stock Market and Prospects for 2010

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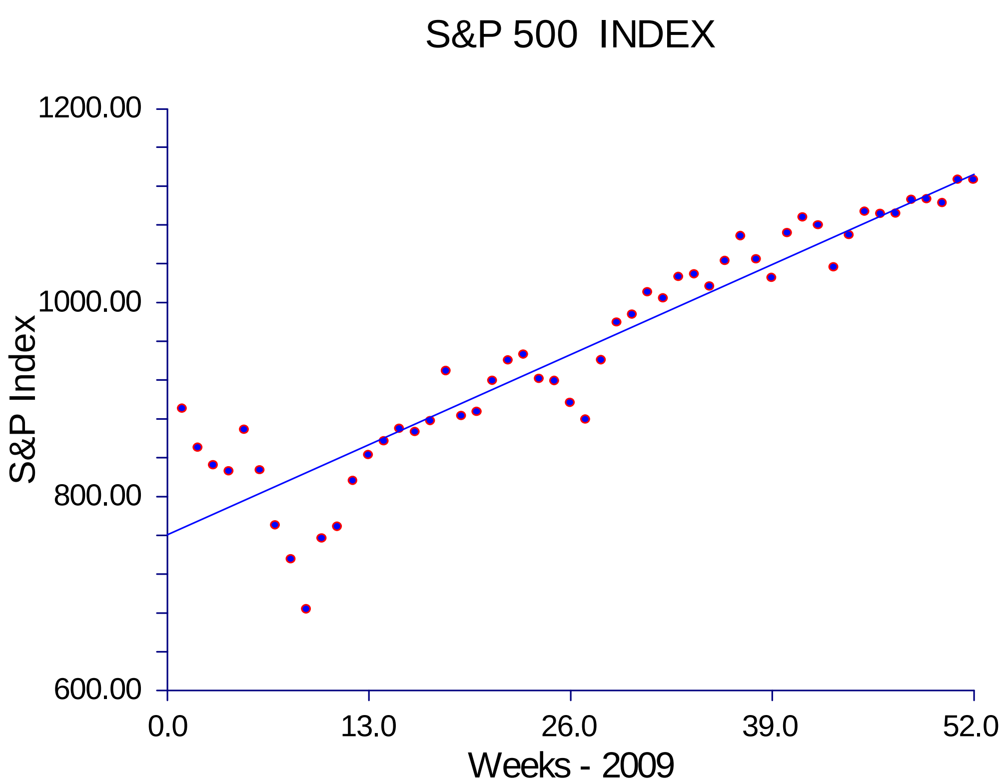
As the following table and chart indicate, the breath and magnitude of the stock market in 2009 was impressive.

Dow 30	+18.8%
S&P 500	+23.5%
Nasdaq	+43.9%
AIA	+51.9%



Index = 786.74 + 6.41*Week; R-Sq .694; Error 17.8

Given these results, the obvious questions become: “Is the recent growth in equity prices sustainable, to what degree, and for how long? As the saying goes, “Forecasting is always difficult, especially when it is about the future”. However, recent developments and the historical significance of certain critical macroeconomic variables indicate that 2010 may not be as unpredictable or gloomy as some forecasters would have us believe.

Reasons for Optimism

• Dramatic action by central banks around the world flooded markets with liquidity avoiding an international cataclysm.

• The recent recession is now part of history.

• The market recovery was due to global macroeconomic improvements, not stock picking.

• U.S. Treasury notes and bonds lost 15% as a result of sharp rise in yields and the unforgiving mathematics of bond pricing.

• Emerging markets decoupled from developed markets in 2009 leading the recovery, a trend which will persist in 2010.

• Materials, technology, energy and large cap growth led the recovery in 2009 and will do so again in 2010 because of their exposure to expanding foreign markets.

• International Trade has been adding 1% to GDP growth since 2007, which a weaker dollar will continue to facilitate.

• The Conference Board's Leading Indicators Index posted positive growth for eight consecutive months. These ten variables include: Manufacturing Workweek; Initial Claims; Consumer Goods Orders; Vendor Performance; Nondefense Capital Goods Orders; Building Permits; Stock Prices; Real Money Supply (M2); Interest Rate Spreads; and, Consumer Expectations.

• The Economic Cycle Research Institute's (ECRI) weekly gauge of future U.S. economic growth continues to point to a steady recovery, low inflation and job growth in 2010.

• The yield curve, a leading indicator itself, and perhaps one of the most reliable predictors of the economy, is wide and upward sloping. The rising yield curve is indicative of good economic growth and is corroborated by an improving stock market and normalization of credit spreads in the bond market.

• Because of expanding demand company profits will come from increased sales and increased productivity, giving impetus to improved employment and additional disposable income.

• S&P operating earnings are expected to approximate $80 in 2010, implying a S&P level of 1,360 (assuming 3% inflation); a 21% improvement. This estimate is consistent, with projections by Lord Abbett (1,338, +20%); RBC Wealth Management (1,316, +18%); and, Bank of America-Merrill Lynch (1,282, +15%). Moreover, the linear prediction model suggests a year-end S&P 500 level of 1,450, +29%. This may seem a bit optimistic in light of other estimates, but not unreasonable or unrealistic if one believes the market is currently experiencing perception and attribution bias, and has not fully accounted for the endogenous strength of the U.S economy and potential global economic expansion. In any event, the Analytics Investment Advisors macroeconomic approach to investing with using sector Exchanged Traded Funds (ETF's) will in all likelihood continue to outperform most standard market measures.

All of this is not to ignore a potential Keynesian hangover down the road with the U.S. economy teetering under the weight of years of reckless credit expansion. The recent $1.4 trillion budget deficit and projected $1 trillion annual deficits for years to come are not sustainable. Moreover, public debt (all U.S. government debt less trust fund obligations) soared from $5.8 trillion to $7.6 trillion, representing more than half the size of the nation's economy for the first time since 1956. While this issue has serious long-term implication regarding economic growth, individual freedom and standard of living, the temporal nature and potential solutions of this problem are subjects to be treated in a subsequent commentary.