ANALYTICS INVESTMENT ADVISORS, LLC

Current & Past Markets

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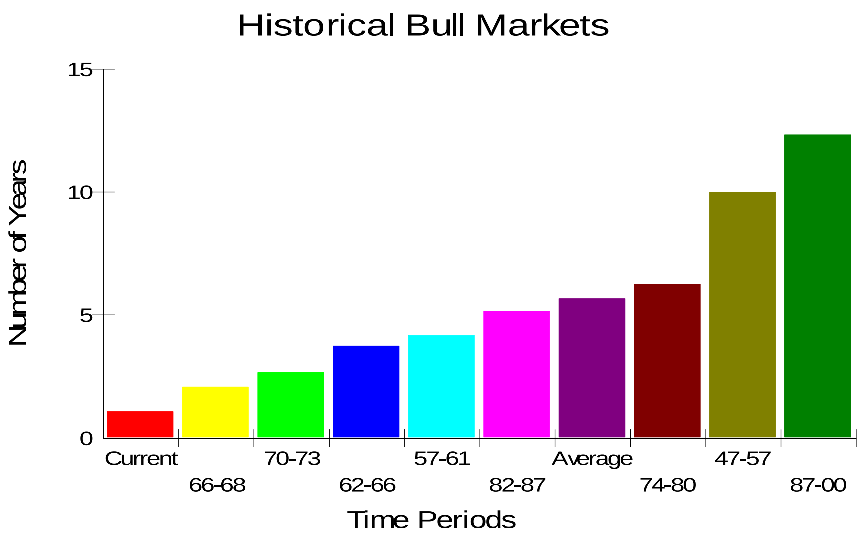
Opinions vary widely regarding the current status of the economy and stock market. One analyst paints a picture of an economic recovery that is well underway, while another contends our nation is likely to slide back into recession in 2010; each citing seemly convincing rationale and statistics. How much credence should one give to these disparate points of view, and who should one believe? A starting point in answering this question is to look at the present status of the market in the context of history to ascertain the likelihood of future outcomes. The following chart (derived from Standard & Poors and J.P. Morgan Asset Management data) presents such an effort by depicting the length of each of the eight positive business cycles since 1947, in addition to the span of the current rebound and the historical overall average.



The average bull market has lasted 5.7 years (68 months) with an average appreciation of 176%. The current bull market is 13 months old, reflecting a 73% expansion. Historical precedent would suggest, therefore, continued improvement. The only questions are: for how long and how much? The following technical statistics auger, in my opinion, for a tendency toward the average bull market duration and magnitude.

- Earnings of 83 % of the 176 reporting companies on the S&P 500 have beat their 1Q2010 expectations.
- The percentage of U.S. Stocks trading above their 52 week highs is at the highest level since 1982. Typically indices keep rising for a year after weaker stocks start to fall and the percentage of stocks hitting their 52 week high begin to decline, a trend which is not currently evident.
- 85% of stocks are trading above their 50 and 200 day moving averages, with global gains across most major stock exchanges.
- Stock gains are broad based, extending to all 10 sectors within the S&P500 since the latest run-up which began on February 8th.
- Cheap money in the form of historically low Federal Reserve and market interest rates persist in being a source of funding for stocks.
- Investors continue to purchase index options as a hedge against a market decline, suggesting they are not overly optimistic.