


Slide 1



Investment Outlook: Atypical Decline - Typical Recovery?

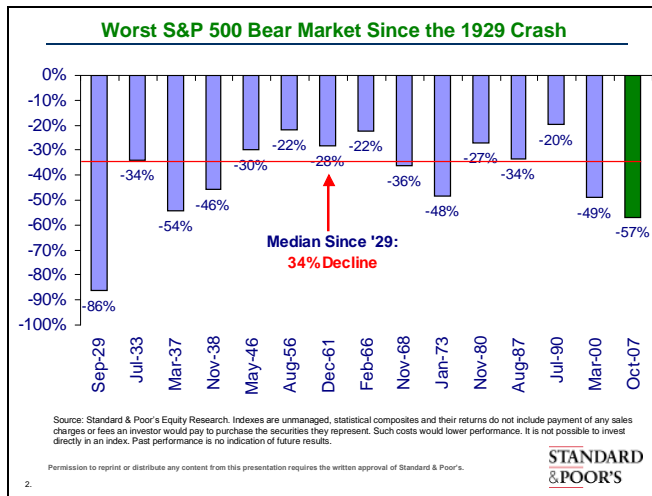
Sam Stovall
Chief Investment Strategist
Standard & Poor's Equity Research Services
October 17, 2009

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Slide 3

Understanding Why Some Stuck With Stocks

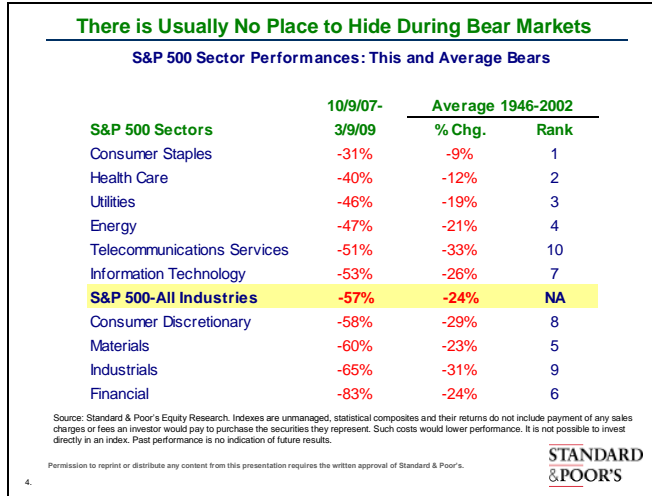
S&P 500 Index Price Declines (No Dividends) Since 1945

Sell Off Type (% Decline)	Count	Avg. % Chg.	Duration in Months	# Months to Recover
Pullbacks (5%-10%)	49	(7)	1	2
Corrections (10%-20%)	16	(16)	6	4
All Bears (20%+)	10	(32)	16	22
-- Regular Bear (20%-40%)	8	(27)	14	12
-- Mega-Meltdown (40%+)	2	(48)	26	63

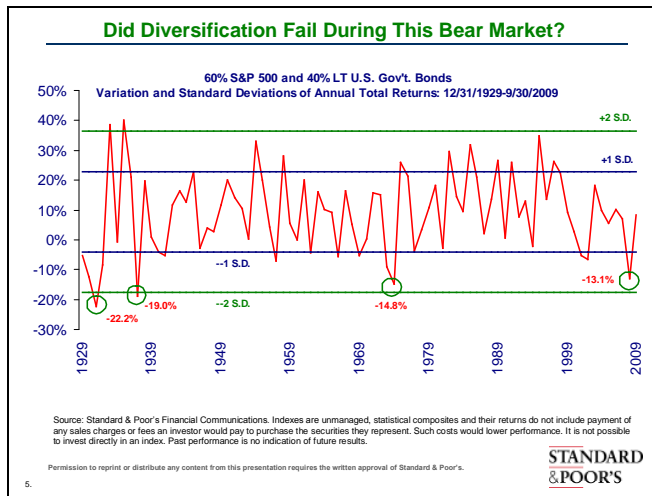
Source: Standard & Poor's Equity Research. Indexes are unmanaged, statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index. Past performance is no indication of future results.

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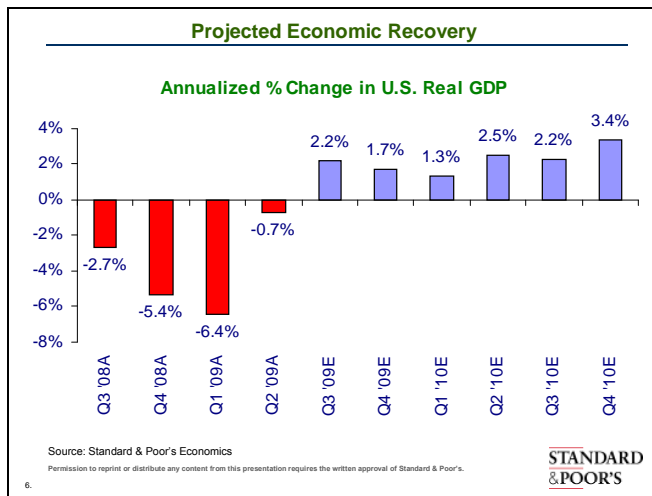
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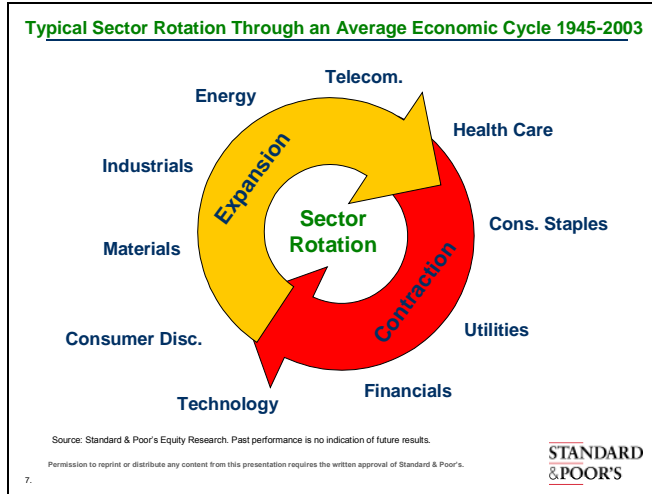
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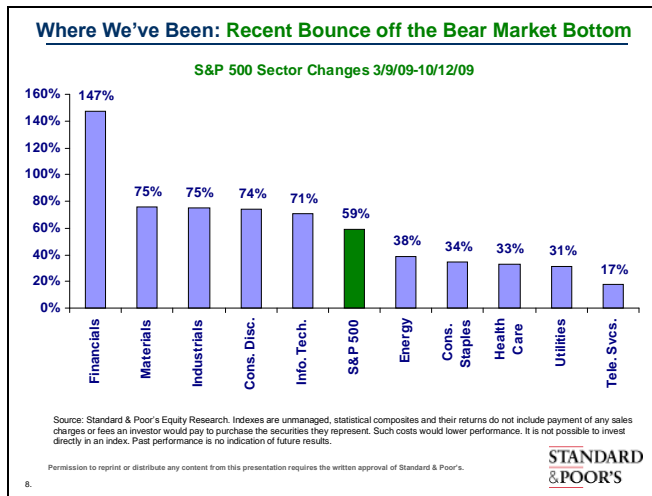
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Bear Markets End When Prices Stop Falling

Lagging Peaks & Troughs:

Stocks Have Anticipated Recessions, Earnings, Revenues and Unemployment

S&P 500 Bottomed	Recession End	Months Ahead of S&P 500 Trough		Unempl. Peak	Peak Unempl. Level %
		Earnings	Revenues		
6/13/49	5	7		5	7.9
9/14/53	9	4		13	6.1
10/22/57	6	11		8	7.5
10/25/60	4	8		7	7.1
5/26/70	6	7	7	7	6.1
10/3/74	6	12	9	8	9.0
3/27/80	4	6	12	4	7.8
8/12/82	4	8	8	4	10.8
10/11/90	6	15	18	21	7.8
10/9/02	(10)	(9)	6	9	6.3
3/9/09	7	9E	???	13E	10.4E
Mean:	4	6	10	9	8
Median:	6	8	8	8	8

Source: S&P Equity Research Services, NBER, BLS. Past performance is no guarantee of future results.
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But The Wall of Worry Persists

Projected Weakness of Economic Recovery

Lack of Top-Line (Sales) Growth

Equity Valuations
-- Hard to justify further surge
-- Analysts looking to '10E and '11E

Money Supply/Federal Deficit Worries
-- Higher Treasury Yields
-- Rising Inflation Worries
-- Drag on housing recovery

Rising Commodity Prices

Still-High Consumer Debt Levels

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S&P Forecasts

- ★ **S&P 500: Double-Digit Rise Possible Over the Coming 12 Months.**
- ★ **Economy: GDP Rise Expected in Q3 '09; 1.8% growth seen in 2010.**
- ★ **EPS Freefall Likely to Slow: Late 2009 Recovery Seen.**
- ★ **M&A Activity: Likely to Increase.**
- ★ **Sector Outlooks: Emphasis on Cyclical over Defensive Sectors.**
- ★ **Reminder: Don't Forget the Importance of Re-invested Dividends.**

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The Seven Rules of Wall Street

- ★ **Let Your Winner's Ride, But Cut Your Losers Short**
- ★ **As Goes January, So Goes the Year**
- ★ **Sell in May, Then Go Away**
- ★ **No Free Lunch on Wall Street (Oh Yeah, Who Says?)**
- ★ **Don't Get Mad -- Get Even!**
- ★ **Don't Fight the Fed (At Least for Too Long)**
- ★ **There's Always a Bull Market Somewhere**

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Don't Sell Out Entirely, Especially After Bear Market Bottoms

S&P 500 Price Changes in May-Oct. During / After End of Bear Markets (Through 10/12/09)

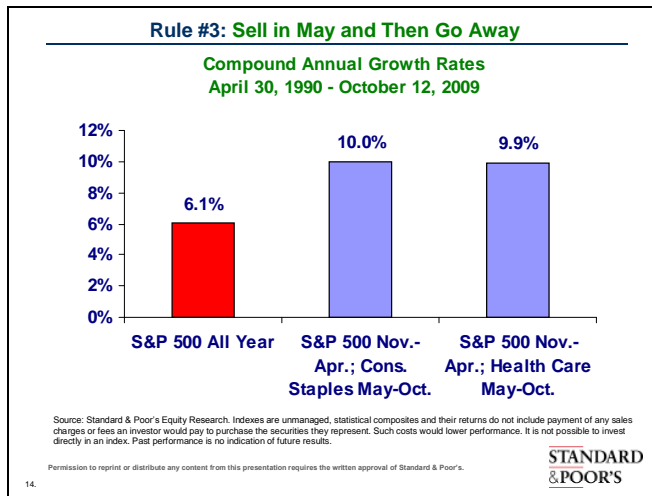
Bear Market		May-Oct. Period	S&P 500 % Change	
End Date	% Decline		May-Oct	Q3
06/01/32	(86)	1932	19.4	82.4
03/14/35	(34)	1935	34.3	13.3
03/31/38	(54)	1938	35.8	5.9
04/28/42	(46)	1942	23.0	6.6
06/13/49	(30)	1949	8.8	10.0
10/22/57	(22)	1958	18.2	(2.7)
06/27/62	(28)	1962	(13.4)	2.8
10/07/66	(22)	1967	(0.1)	6.7
05/26/70	(36)	1970	2.1	15.8
10/03/74	(48)	1975	2.0	(11.9)
08/12/82	(27)	1982	14.8	9.9
12/04/87	(34)	1988	6.8	(0.6)
10/11/90	(20)	1991	4.6	4.5
10/09/02	(49)	2003	14.6	2.2
03/09/09	(57)	2009	23.3	15.0
Averages	(40)		12.9	10.7

Source: Standard & Poor's Equity Research. Indexes are unmanaged, statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index. Past performance is no indication of future results.

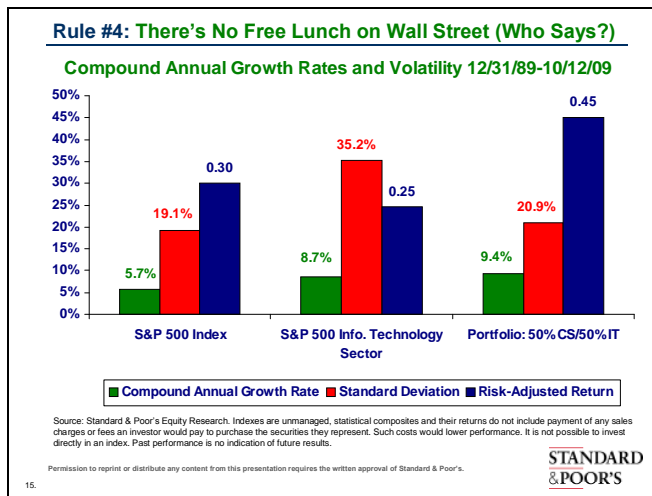
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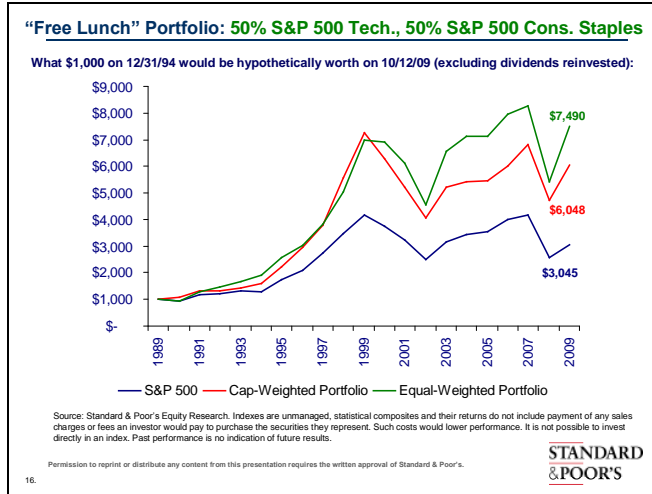
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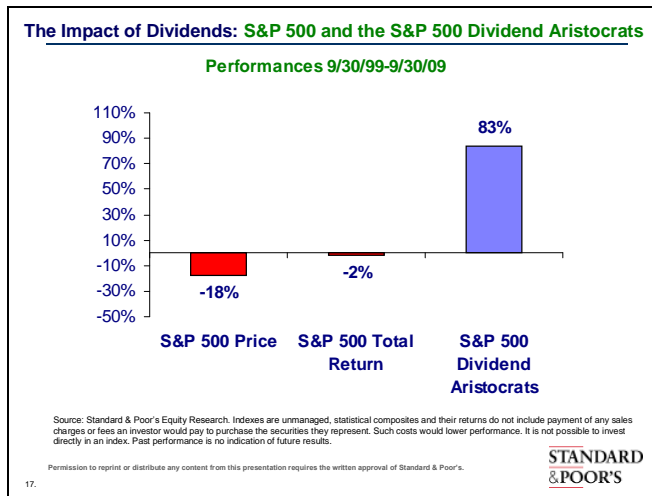
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Stock Screen: Focusing on High Quality, High Yielding Stocks

Stocks With Highest S&P STARS, Quality Ranking and Dividend Yield by Sector as of 10/12/09

S&P Sector	Ticker	Price	S&P		Yield %
			STARS	Q. Rank	
Consumer Discretionary	GPC	\$38	5	A	4.2
Consumer Staples	MO	\$18	5	A	7.5
Energy	CVX	\$74	5	A-	3.7
Financials	PEI	\$8	4	A	7.8
Health Care	JNJ	\$62	4	A+	3.2
Industrials	CAT	\$54	4	A+	3.1
Information Technology	LLTC	\$28	5	A-	3.2
Materials	PPG	\$60	5	B+	3.6
Telecommunication Services	CTL	\$33	4	A-	8.6
Utilities	FPL	\$53	5	A	3.6

Source: Standard & Poor's Equity Research. Past performance is no guarantee of future results.

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S&P Quality Rankings (also known as S&P Earnings & Dividend Rankings)- Growth and stability of earnings and dividends are deemed key elements in establishing S&P's earnings and dividend rankings for common stocks, which are designed to capitalize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B-	Lower
A	High	C	Lowest
A-	Above Average	D	In Reorganization
B+	Average	NR	Not Ranked
B	Below Average		

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Abbreviations Used in S&P Equity Research Reports - CAGR- Compound Annual Growth Rate, CAPEX- Capital Expenditures, CY- Calendar Year, DCF- Discounted Cash Flow, EBIT- Earnings Before Interest and Taxes, EBITDA- Earnings Before Interest, Taxes, Depreciation and Amortization, EPS- Earnings Per Share, EV- Enterprise Value, FCF- Free Cash Flow, FFO- Funds From Operations, FY- Fiscal Year, P/E- Price/Earnings, PEG Ratio- P/E-to-Growth Ratio, PV- Present Value, R&D- Research & Development, ROE- Return on Equity, ROI- Return on Investment, ROIC- Return on Invested Capital, ROA- Return on Assets, SG&A- Selling, General & Administrative Expenses, WACC- Weighted Average Cost of Capital.

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Relevant benchmarks: In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

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