

MARKET INSIGHT

April 13th 2011

Performance:

	1-week	4-week	YTD
S&P 500	-1.4%	1.5%	5.1%
Russell 2000	-2.6%	3.8%	5.9%
BarCap US Bonds	0.4%	-0.4%	0.6%
Gold:	0.7%	5.5%	6.6%

Economy:

The economy is continuing to improve, moving from recovery to expansion. Though the acceleration phase of business cycle appears to be ending, M2 (money supply) is starting to grow, indicating the consumer is coming out of hibernation. The chart below shows the key factors to the economy in terms of Assets & Liabilities. The Net score of '7' on the economy remains the highest score since the recovery began.

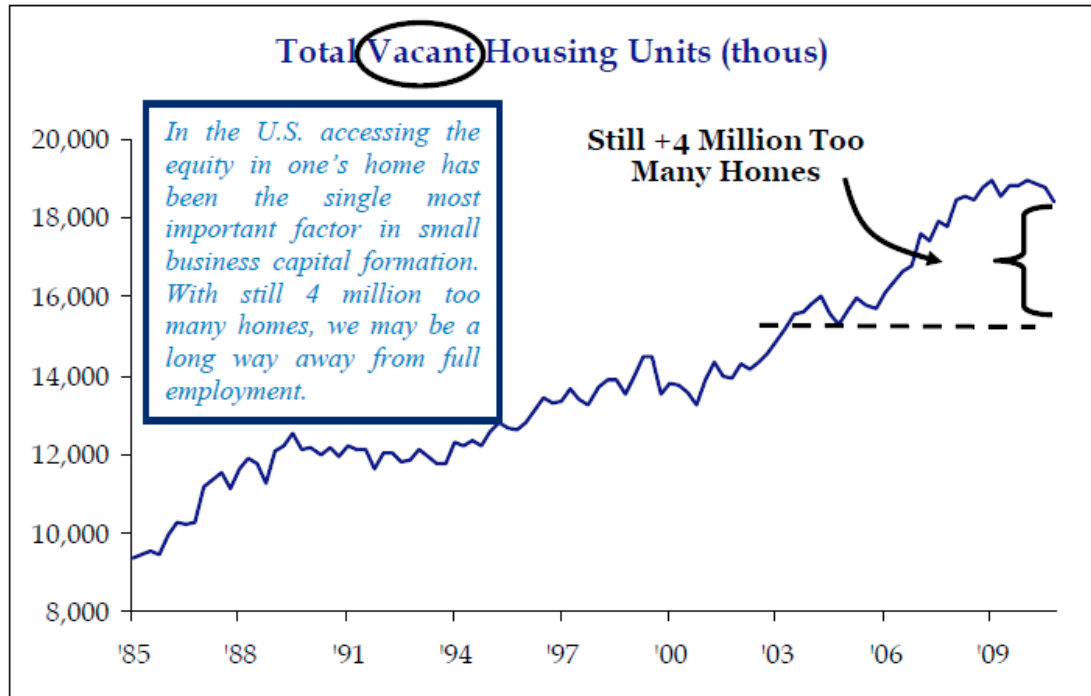


(The Bellwether index is constructed from the stocks most correlated with GDP).

<u>Assets</u>	<u>Neutral</u>	<u>Liabilities</u>
Interest Rate Env	Price Inflation	Budget Deficit
Capex Eqp	Wage Inflation	
Cons. Spend	Nonres Constr	
Employment	Housing	
Credit Environ	Trade Deficit	
Manufacturing		
Consumer Conf.		
Business Conf.		

Economic:	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>
Assets	4	5	6	5	5	5	4	5	5	6	6	8	8
Liabilities	3	3	2	4	3	3	2	1	1	1	1	1	1
Net	1	2	4	1	2	2	2	4	4	5	5	7	7

- Housing remains a problem in the US.



- Economic growth is expected to continue to rise through 2011. But, as Government stimulus rolls off this year, growth will likely decline next year and will be dependent solely on organic demand.

Strategas Economic Forecasts

	2010				2011				2012			
	1Q	2Q	3Q	4Q	1QF	2QF	3QF	4QF	1QF	2QF	3QF	4QF
Real GDP Q/Q % AR	3.7%	1.7%	2.6%	3.1%	3.5%	3.5%	3.7%	4.0%	2.3%	2.0%	1.0%	1.0%
Core CPI Q/Q % AR	0.0%	0.8%	1.1%	0.6%	1.3%	1.2%	1.2%	1.5%	2.0%	2.3%	2.5%	2.7%
Fed Funds EOP	0.1%	0.1%	0.1%	0.1%	0.1% (a)	0.1%	0.1%	0.1%	0.1%	0.5%	1.0%	1.5%
Mortgage Rate EOP	5.0%	4.6%	4.3%	4.8%	5.0%	5.2%	5.3%	5.3%	5.5%	5.8%	5.8%	5.5%

F = Forecast; A = Actual; EOP = End of Period

Valuation:

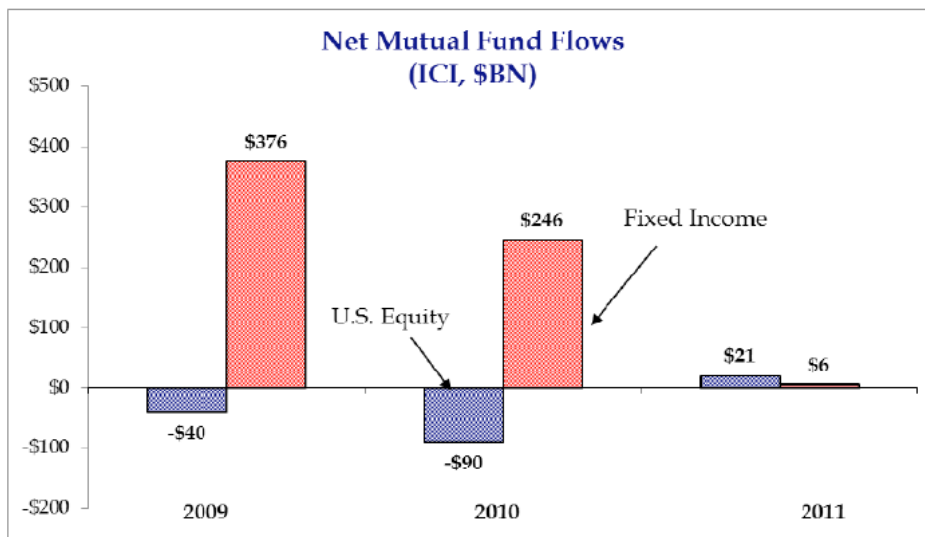
The current valuation (P/E) of the S&P 500 at 1320 is about 14 x forward earnings which historically, appears some what cheap. As the economy continues to gain traction, P/E multiples could expand.

Strategas Forecast:

Odds	Outlook	Economy	S&P Earnings	Expected Multiple	Implied S&P 500
5%	Policy Error	Recession	\$84.00	11x	924
25%	Stimulus Driven Recovery	Macro Uncertainty	\$92.50	13x	1203
60%		Base Case	\$92.50	16x	1,480
10%	Upside Surprise	Too Hot	\$98.00	14x	1,372
<i>Expected Value</i>					1,372

Technicals:

Flow of funds suggests the individual investor has yet to get in the game.



Summary:

Near Term: As long as oil stays below \$120 a barrel, the market environment should remain friendly. The Economy, Valuation, and the Technical's, suggest there is still room for the market to improve.

Long Term: Headwinds will re-emerge from many sources including: a roll off of government spending; inflationary pressures from a weakening dollar/rise in commodity prices; support of huge government Debt/GDP ratio; and contradiction of linking the Chinese Yuan with the dollar. The market will have to digest all of these issues eventually.

May the Blessings of Spring bring you Joy!