New Albany
Investment Management

Market Insight…

… Performance
Economic Update
Charts of Interest*

*Provided by Strategas Research Partners

May 25, 2011

Market Performance:

as of 5-25-2011

Sector	Week	1Mo	YTD
S&P 500	-1.5%	-0.9	5.8%
Small MidCap 400	-1.7%	-1.7%	8.0%
MSCI EAFE (Eurp. Asia, Far East)	-1.9%	-3.8%	2.6%
MSCI Emerging Mkt	-2.1%	-7.1%	-2.9%
US Agg. Bonds (Barclay's)	0.2%	1.4%	2.6%
High Yield Bonds (US)	-0.1%	0.7%	5.9%
GLD (Net asset value)	3.2%	1.5%	7.1%
Real Estate	-1.2%	-0.2%	10.5%
Energy	1.5%	-3.6%	12.3%

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Economy:

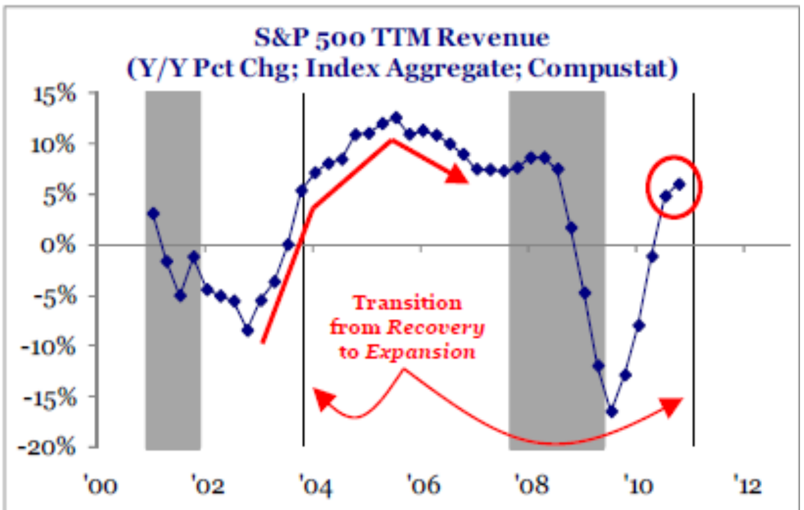
Lowering 2Q real GDP estimate to 3.0%. However, 1Q real GDP revisions appear upward, (looking for a 1Q revision from 1.8% in the initial report to 2.2%), so the impact on the full year GDP outlook appears muted.

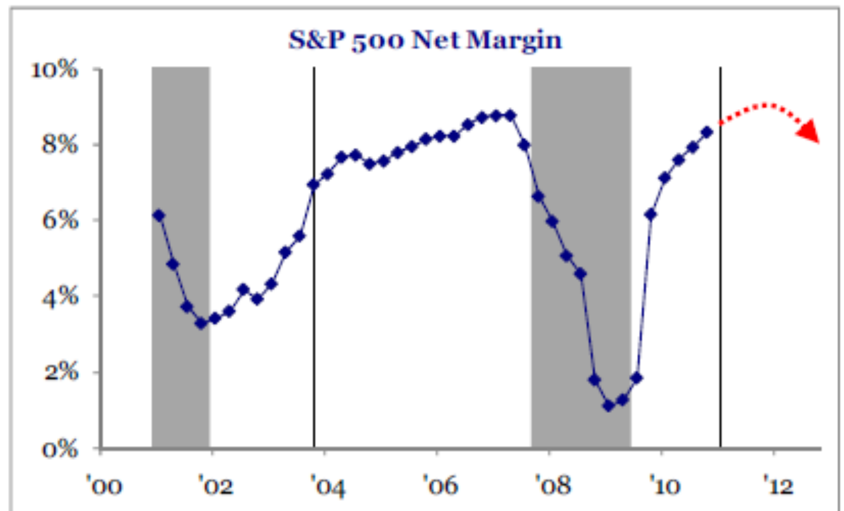
But the bottom line, while economic growth appears set to continue in 2011, **the recovery or "acceleration" phase of the business cycle is likely over. Next should come "expansion", and the question is likely to become how long this economic expansion can last.**

Economic slow down likely to begin mid- 2012, with contraction likely in 2013. (Strategas Research)

Economy:

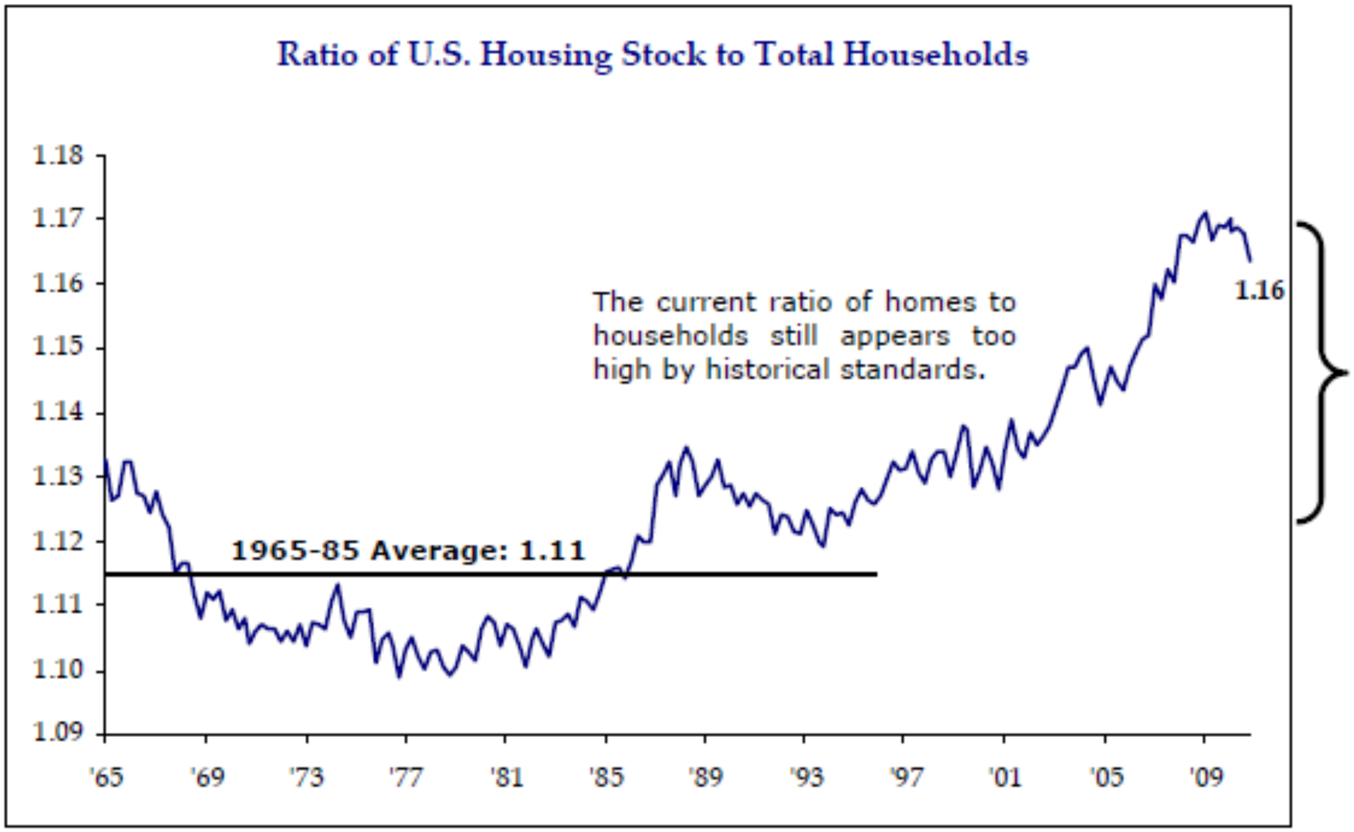
Watch the revenue line rate of change for indications of Economic cycle slow down. A slower revenue profile in combination with the accelerated pace of input cost increases could bring pressure on profit margins sooner, contributing to a shorter cycle.





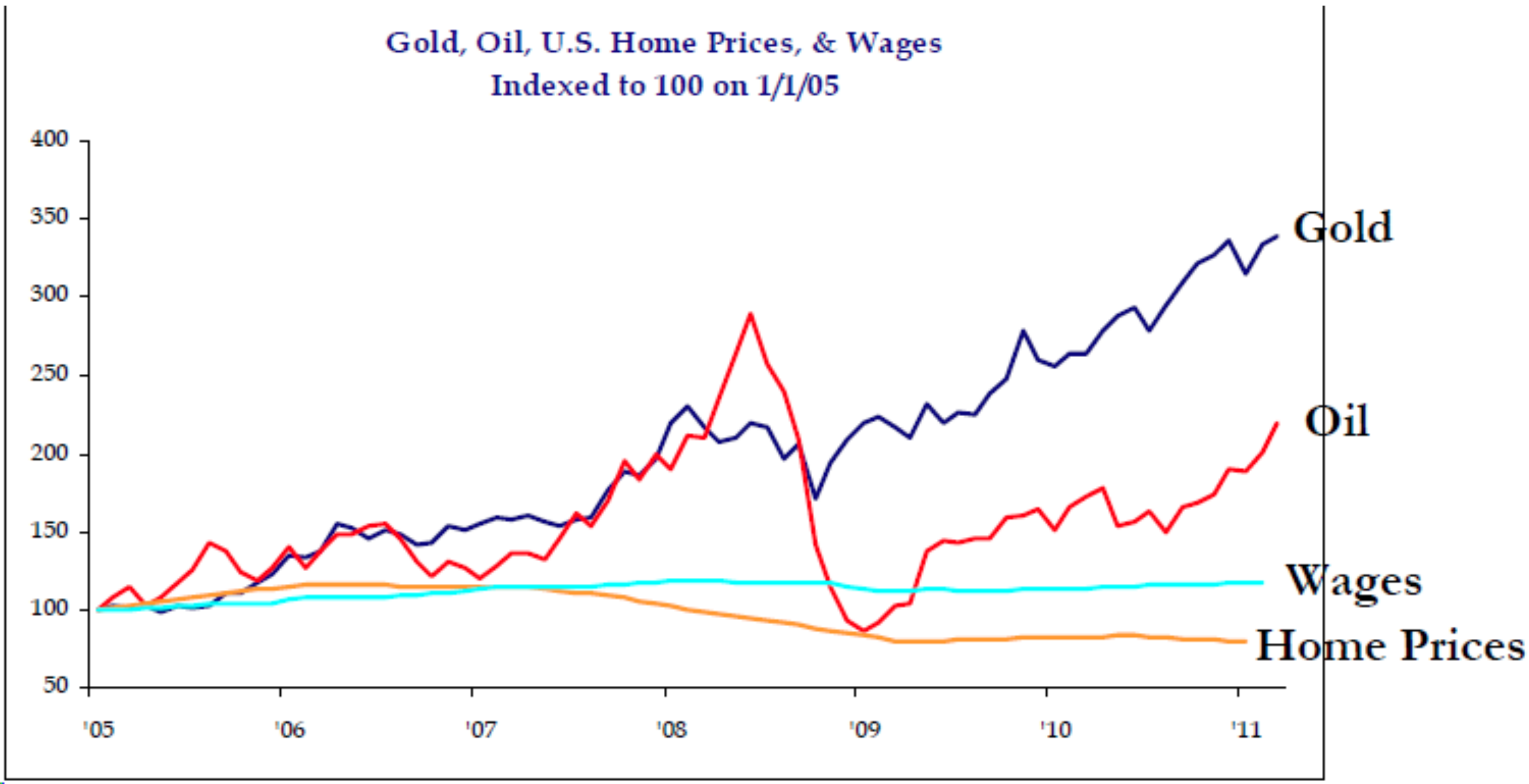
Economy:

The large supply of unsold homes may be the main reason the structural unemployment rate in the U.S. will remain high and, by extension, lead to shorter, more traditional business cycles.

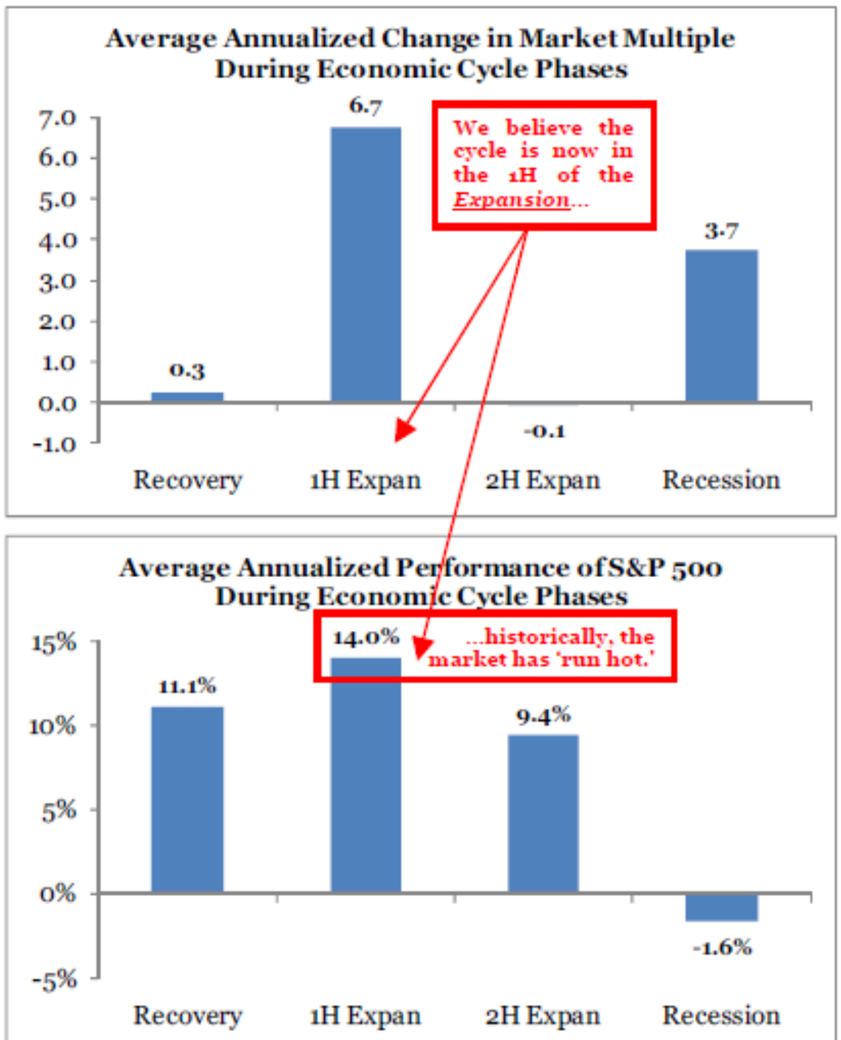


Inflation in the Modern World:

The concept of "bi-flation" – China will likely continue to inflate the prices everything that it needs (oil, copper) and leave the prices of everything it doesn't need (U.S. homes, American labor) to its own devices.



Valuation:

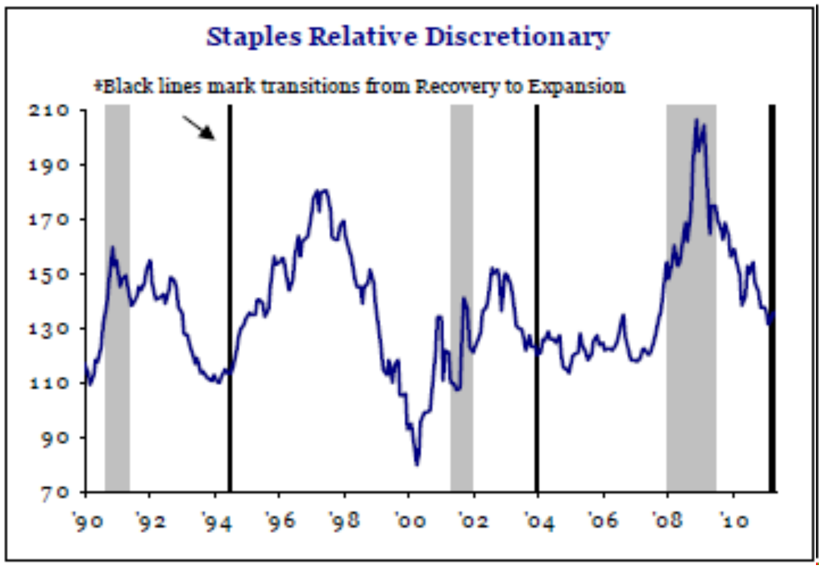


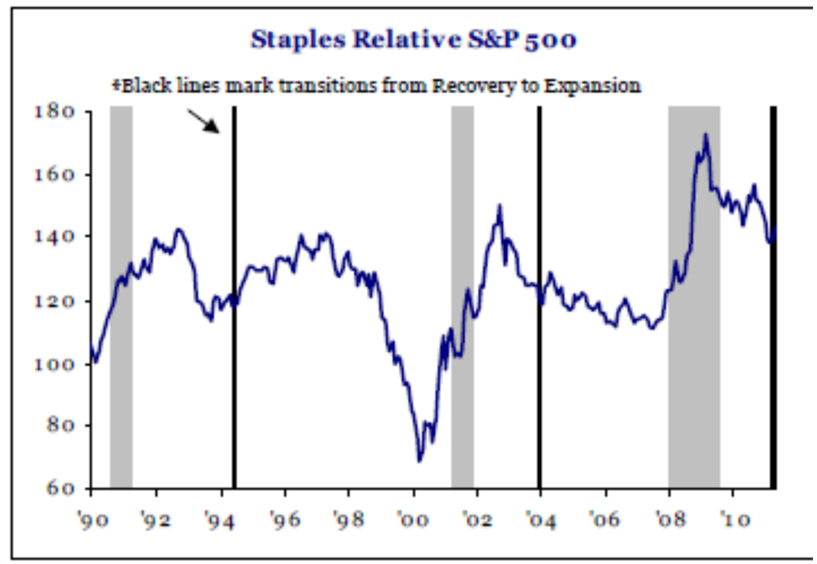
With 70% the economy driven by consumption, the huge structural overhang of private and public debt will soon become a significant drag as the 'bill comes due' resulting in a shorter economic cycle. Shorter business cycles means more volatility in the markets.

As the economy moves through the expansionary phase, market multiples shrink and sector leadership changes will occur quickly. Recently, Health Care and Consumer Staples sectors are now outperforming the broad market indicating market anticipating slow down.

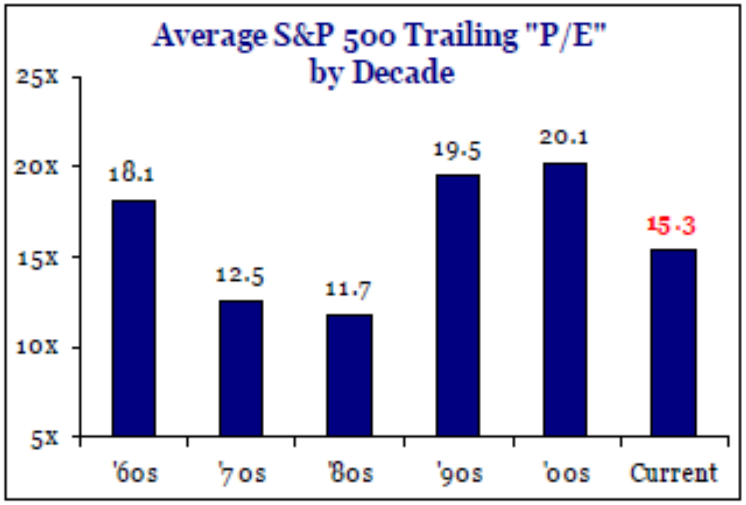
Markets:

As pressure on the consumer begins to rise again, Consumer Staples should begin to outperform relative to broad market.

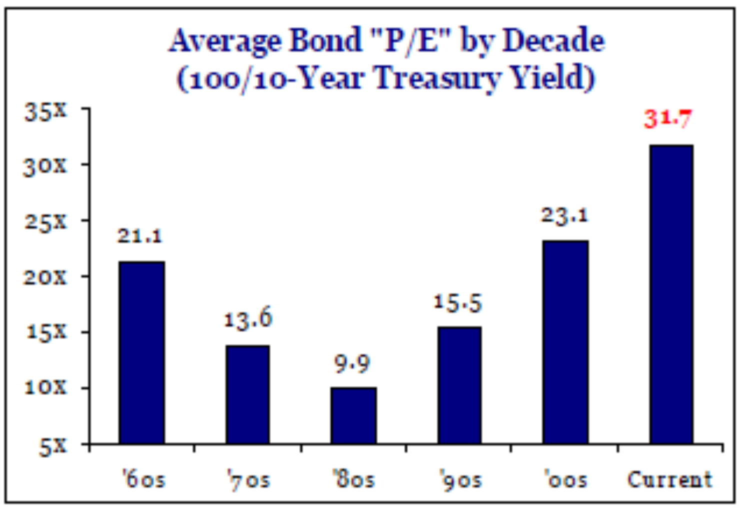


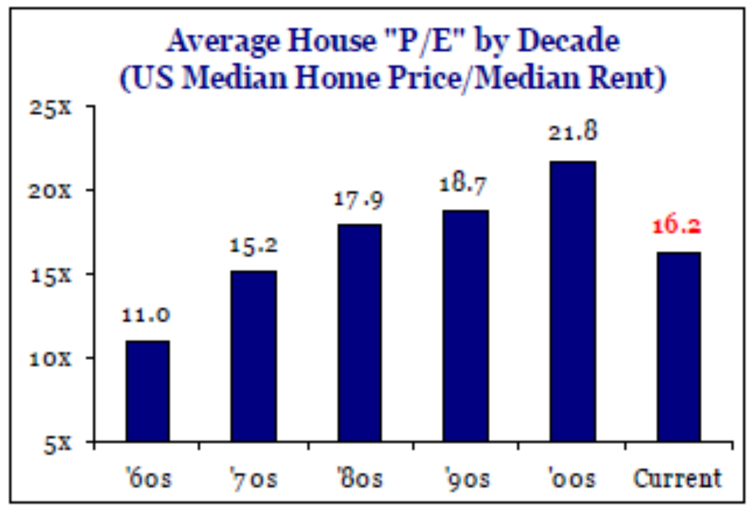


Markets: Stocks still look cheap compared to Bonds



Professor Shiller's measure of market P/E is still a cause of some anxiety for many investors. We believe it's important for investors to keep two things in mind: (1) the current level of the Shiller P/E is equal to that exhibited in 1995, and (2) bonds are more expensive than stocks in Shiller's construction now more than at nearly any time prior to the financial crisis. **For those that need to be fully invested, equities may remain the best house in a bad neighborhood of asset allocation choices.**





Commodities:

HISTORY TELLS US THAT A TOP IN COMMODITIES NOT OFTEN ASSOCIATED WITH A TOP IN STOCKS