

# The Estate Planning Council of Birmingham

Economic and Market Update

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 **MORGAN ASSET MANAGEMENT**



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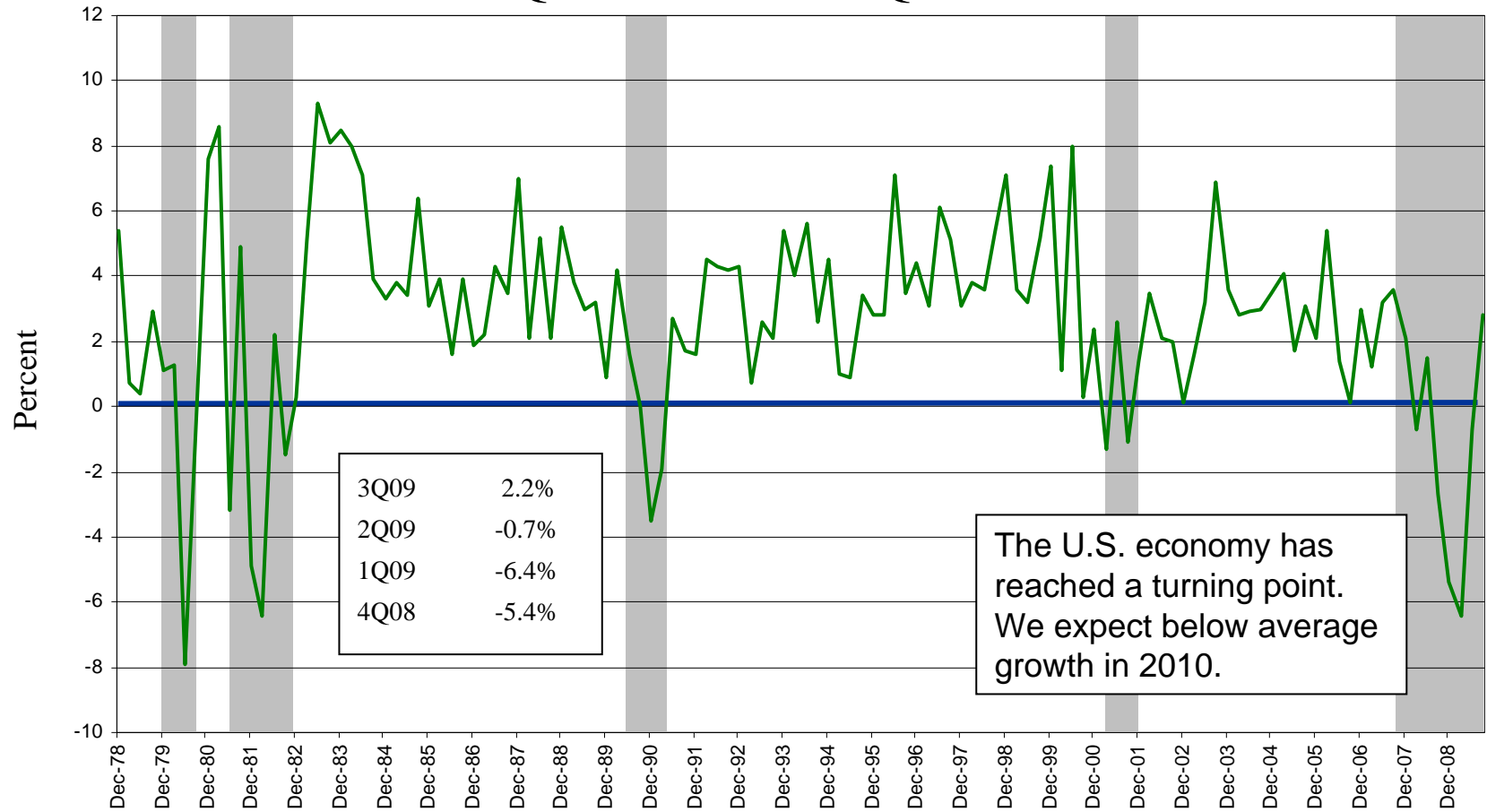
# Financial Market Indices

## Total Returns

	2008	2009
S&P 500 Index (Domestic Large Cap Stocks)	-36.99%	26.47%
<i>S&amp;P 500 Value (Large Cap Value)</i>	-39.21%	21.17%
<i>S&amp;P 500 Growth (Large Cap Growth)</i>	-34.91%	31.58%
Russell 2000 Index (Domestic Small Cap)	-33.79%	27.17%
EAFE Index (Developed Country Foreign Stocks)	-43.07%	32.18%
Barclays Aggregate Index (Inv Grade Bonds)	5.24%	5.93%
U.S. T-Bills (3 Month)	2.24%	0.23%
Merrill Lynch 1-30 Year Muni Bond Index	-36.99%	14.54%

# Change in Real GDP (% Annual)

4<sup>th</sup> Quarter 1978 – 3<sup>rd</sup> Quarter 2009



3Q09	2.2%
2Q09	-0.7%
1Q09	-6.4%
4Q08	-5.4%

High	Low	Average	Latest
9.3	-7.9	2.7	2.2

Source: Bloomberg

# Global Economic Recovery

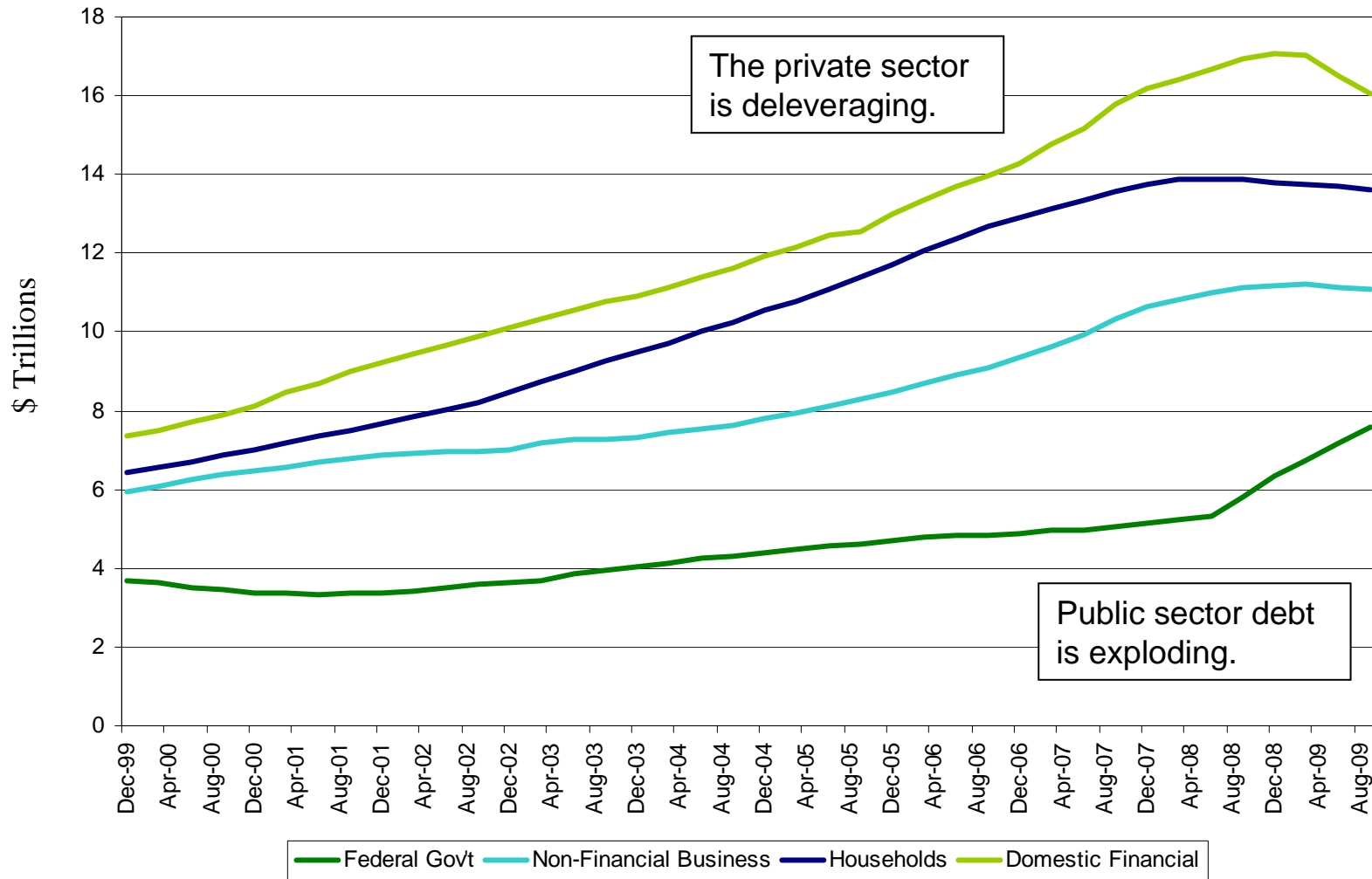
	<u>1Q09 GDP</u>	<u>2Q09 GDP</u>	<u>3Q09 GDP</u>
U.S.	-6.4%	-0.7%	2.2%
Eurozone	-9.8%	-0.6%	1.6%
Japan	-11.9%	2.7%	1.3%
BRIC's*	<u>-0.0%</u>	<u>0.4%</u>	<u>1.7%</u>
Average	-7.0%	0.5%	1.7%

Source: Bloomberg

\*Brazil, Russian, India, China  
Year over Year Data

# Total U.S. Debt by Sector

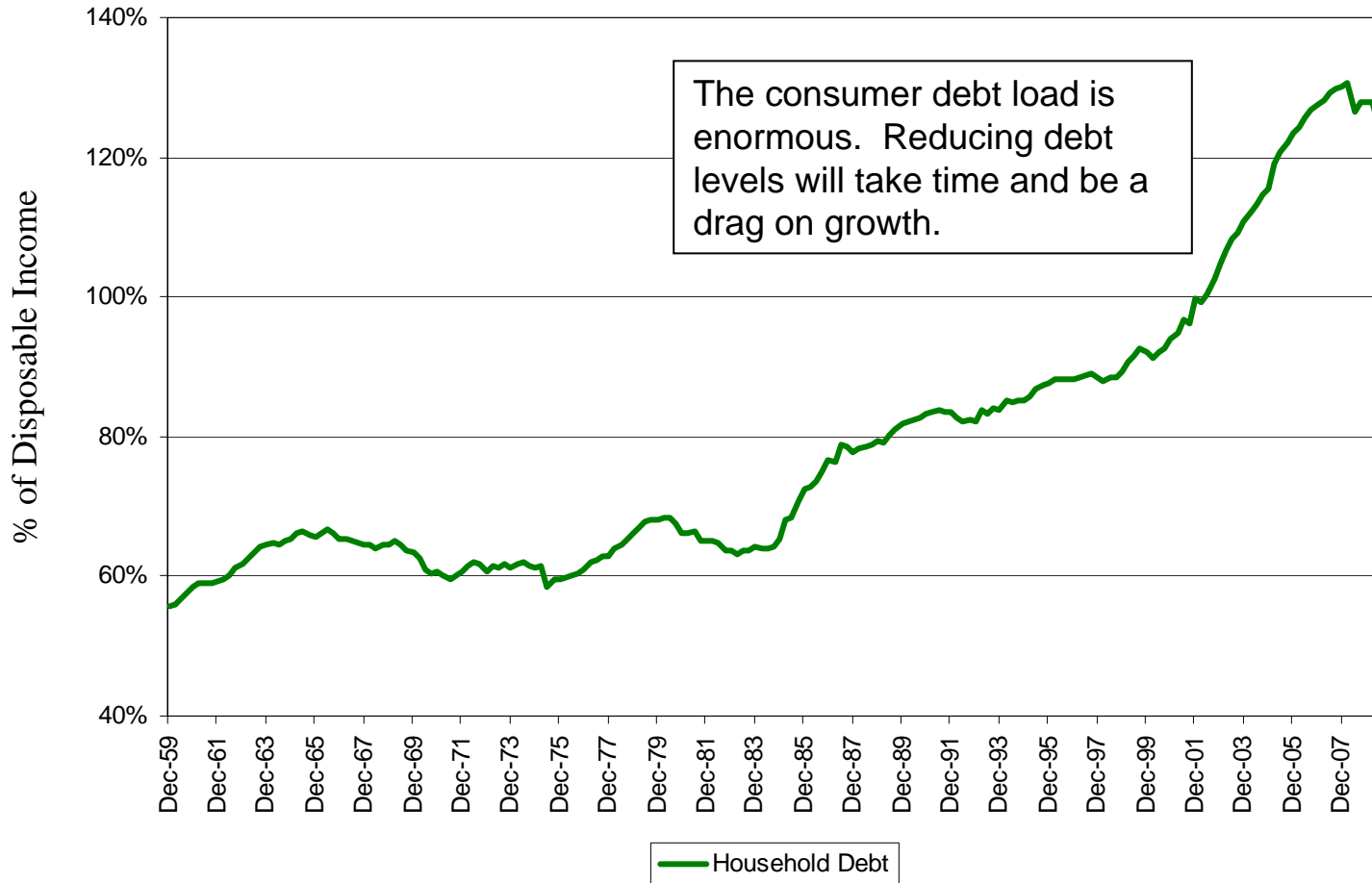
## 4<sup>th</sup> Quarter 1999 – 3<sup>rd</sup> Quarter 2009



Source: Bloomberg/Federal Reserve/Wall Street Journal

# Household Sector Debt

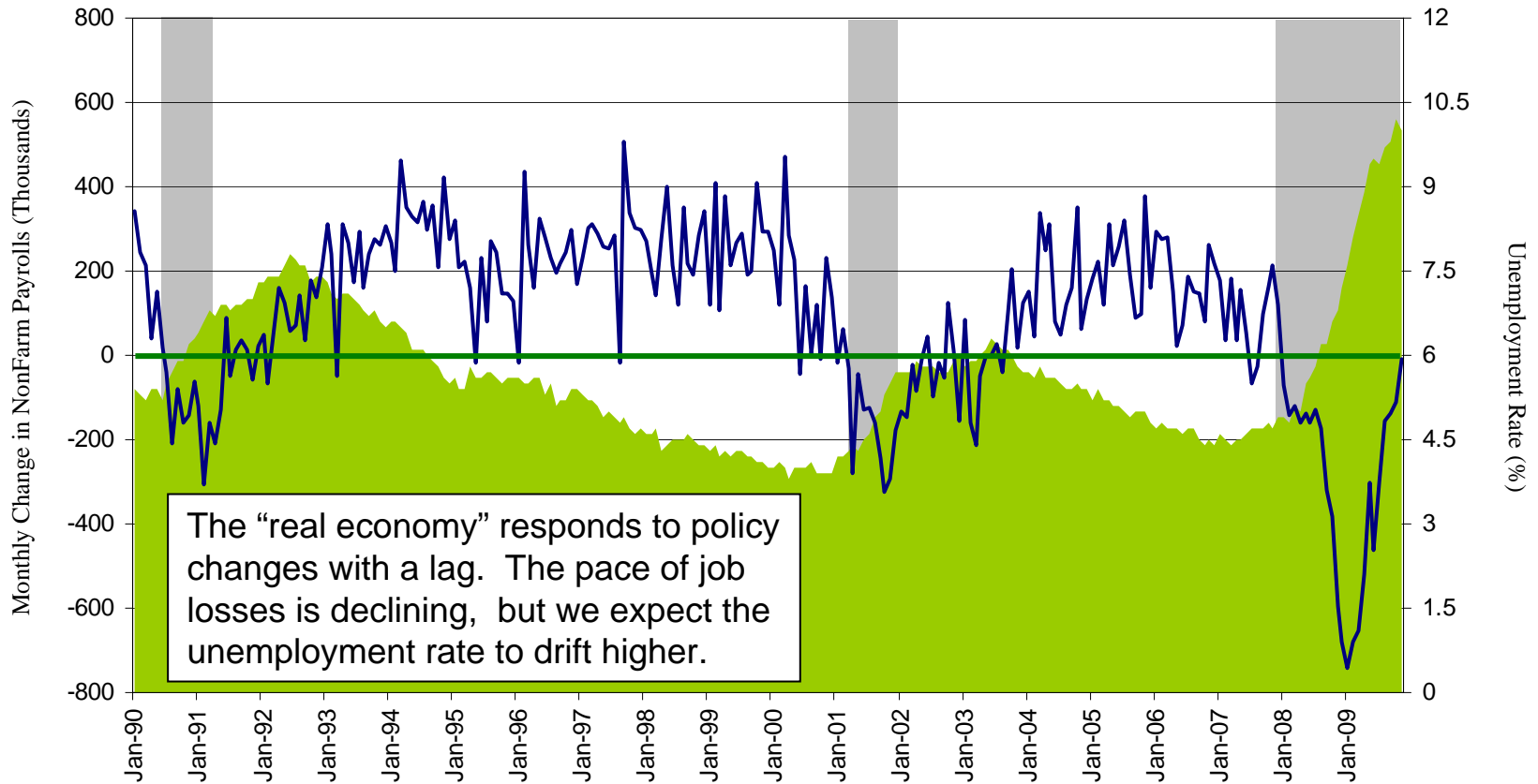
4<sup>th</sup> Quarter 1959 – 3<sup>rd</sup> Quarter 2009



Source: Bloomberg/Federal Reserve/Wall Street Journal

# NonFarm Payrolls & Unemployment

## January 1990 – November 2009



The “real economy” responds to policy changes with a lag. The pace of job losses is declining, but we expect the unemployment rate to drift higher.

	High	Low	12 mo. Avg	Latest
Unemployment	10.2	3.8	9.0	10.0
NonFarm Payrolls	508	-741	-397	-11

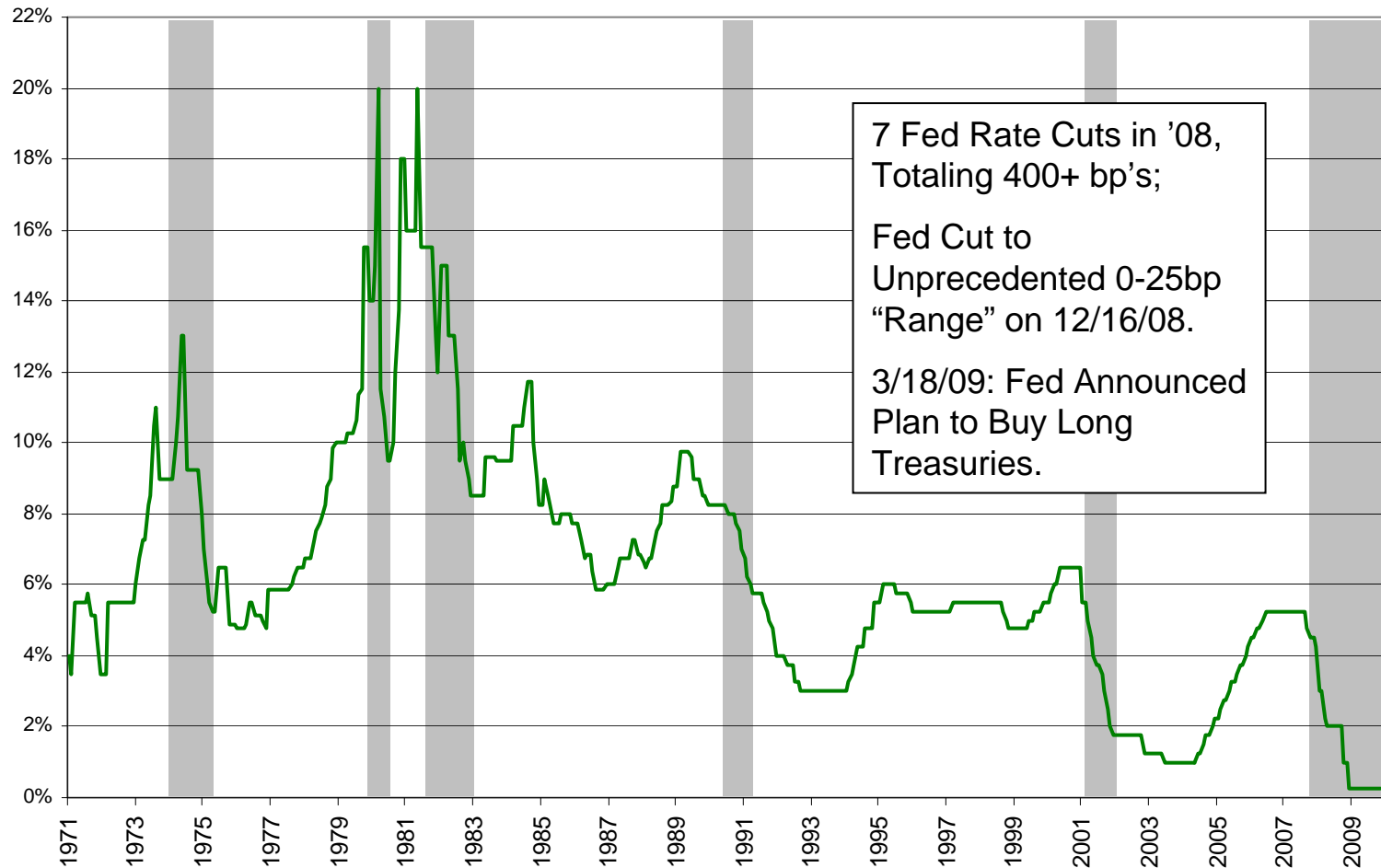
Unemployment NonFarm Payrolls

Source: Bloomberg

# Economic Policy Response

# Fed Funds Target Rate

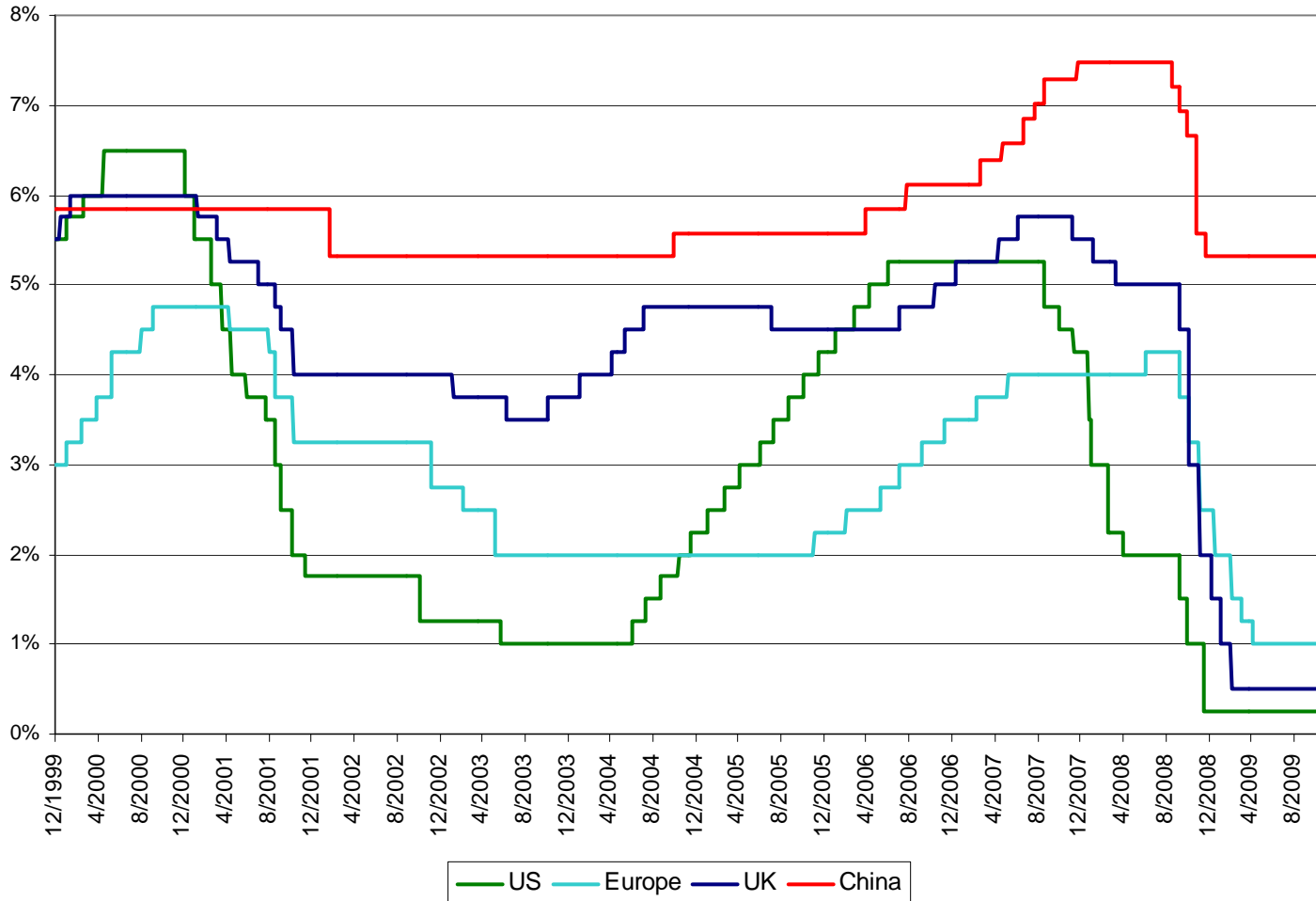
January 1971 – November 2009



Source: Bloomberg

# Central Bank Benchmark Rates

December 31, 1999 – December 10, 2009

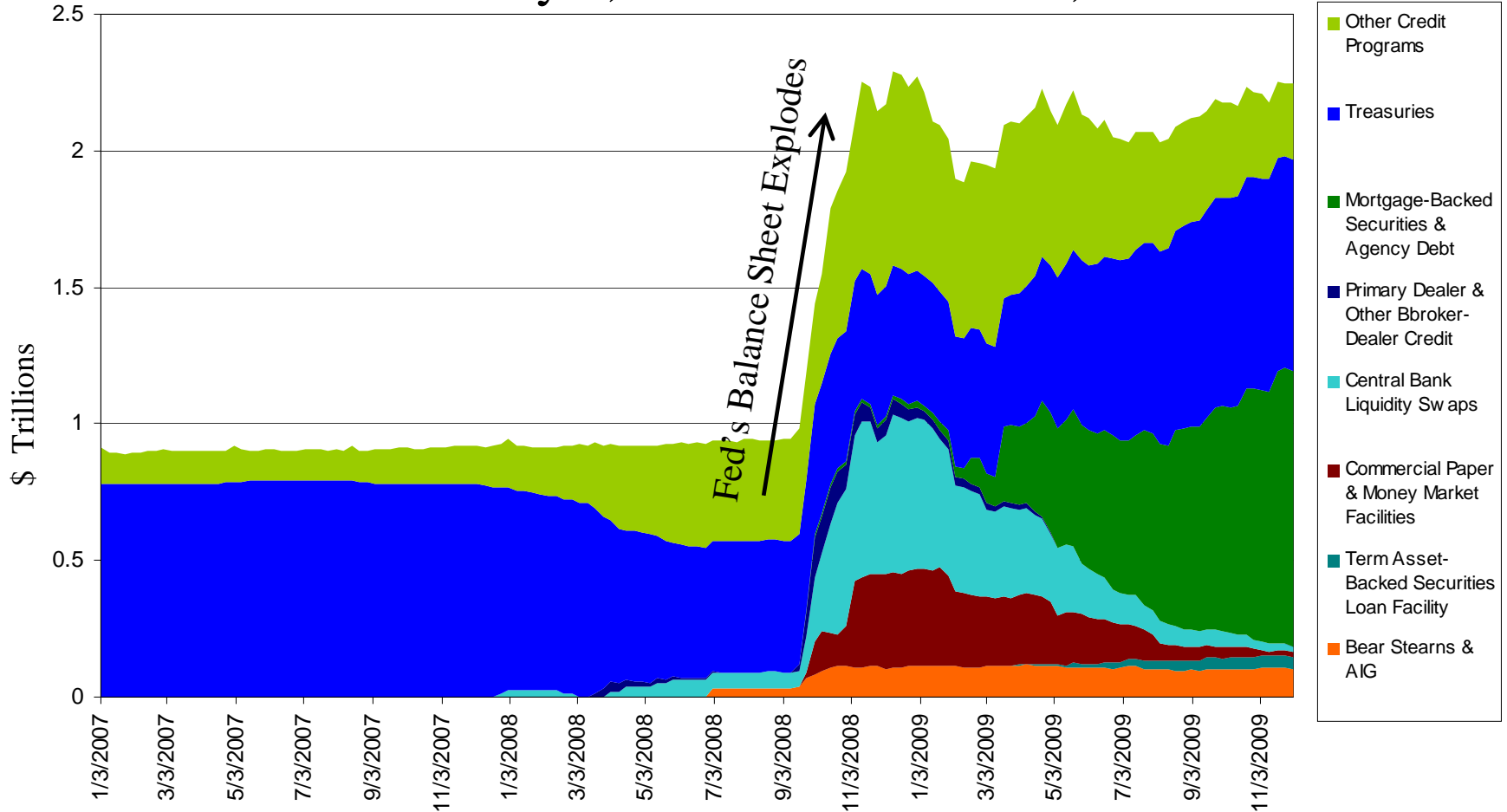


Rate cuts since beginning of 2008:  
US: 7 for 400bp  
UK: 8 for 500bp  
EU: 6 for 300bp  
PRC: 5 for 216bp

Source: Bloomberg

# Federal Reserve Assets

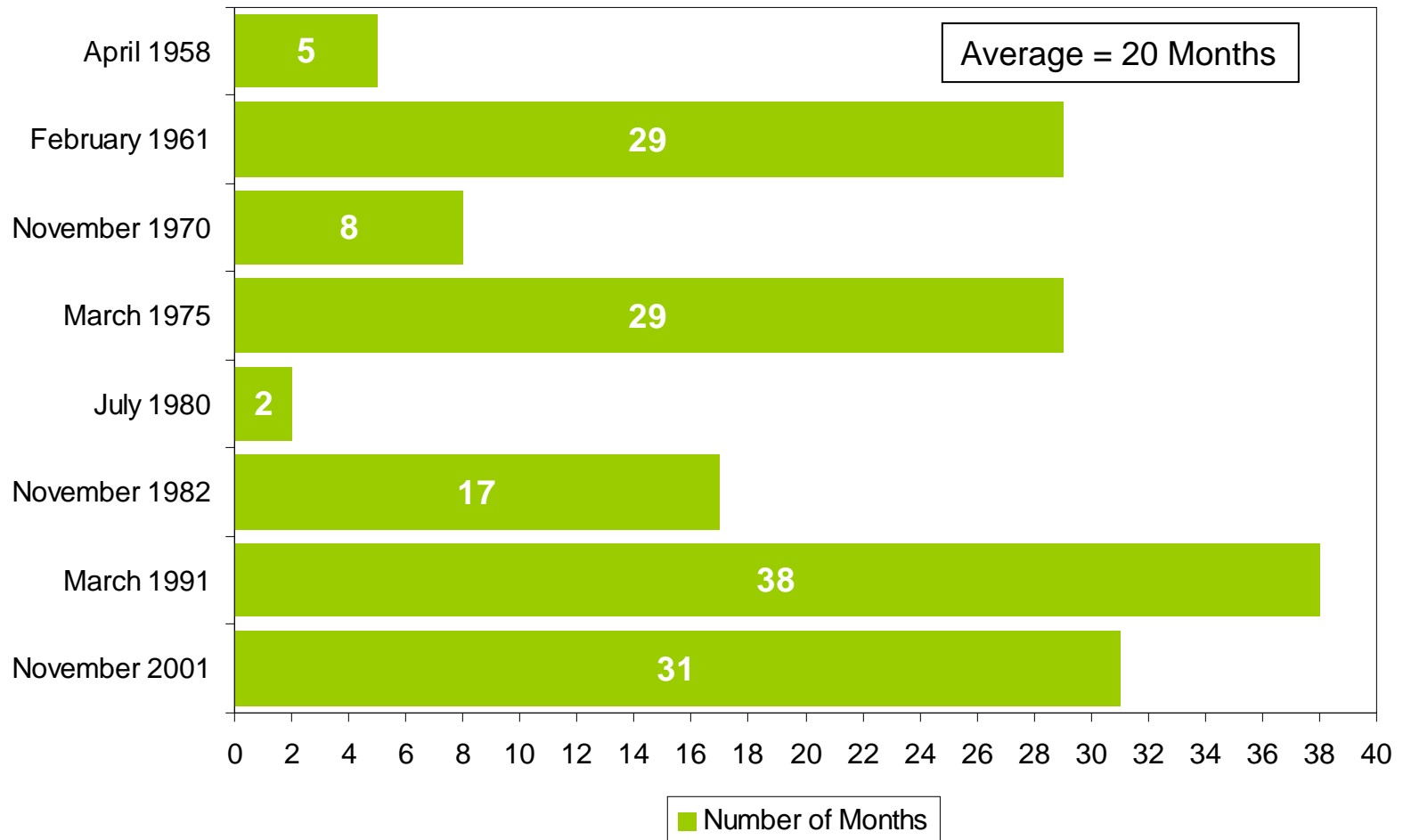
January 3, 2007 – December 2, 2009



Source: Federal Reserve

# Federal Reserve Policy

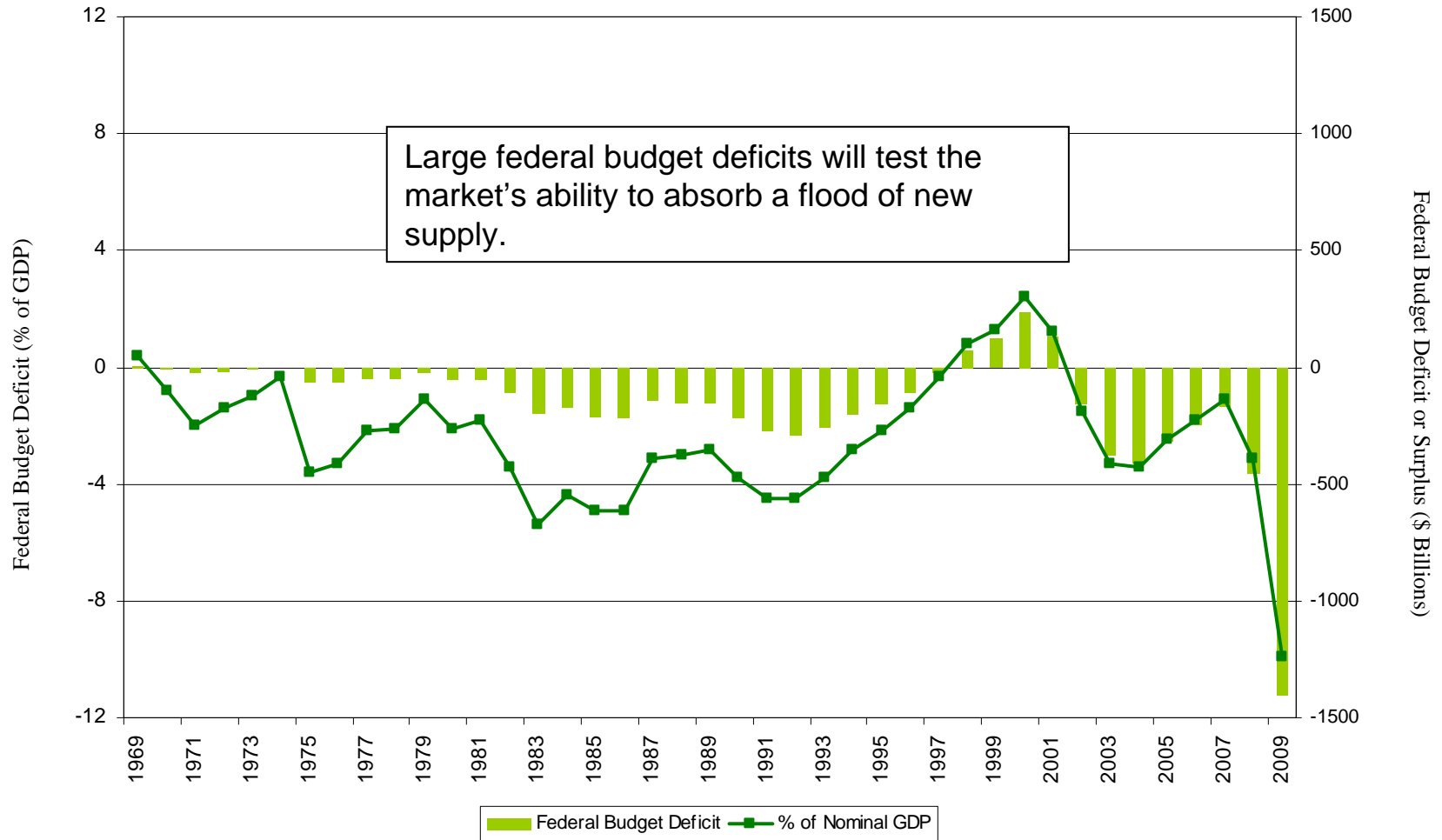
## Length of Time between Recession End & First Tightening



Source: Bloomberg

# Federal Budget Deficit

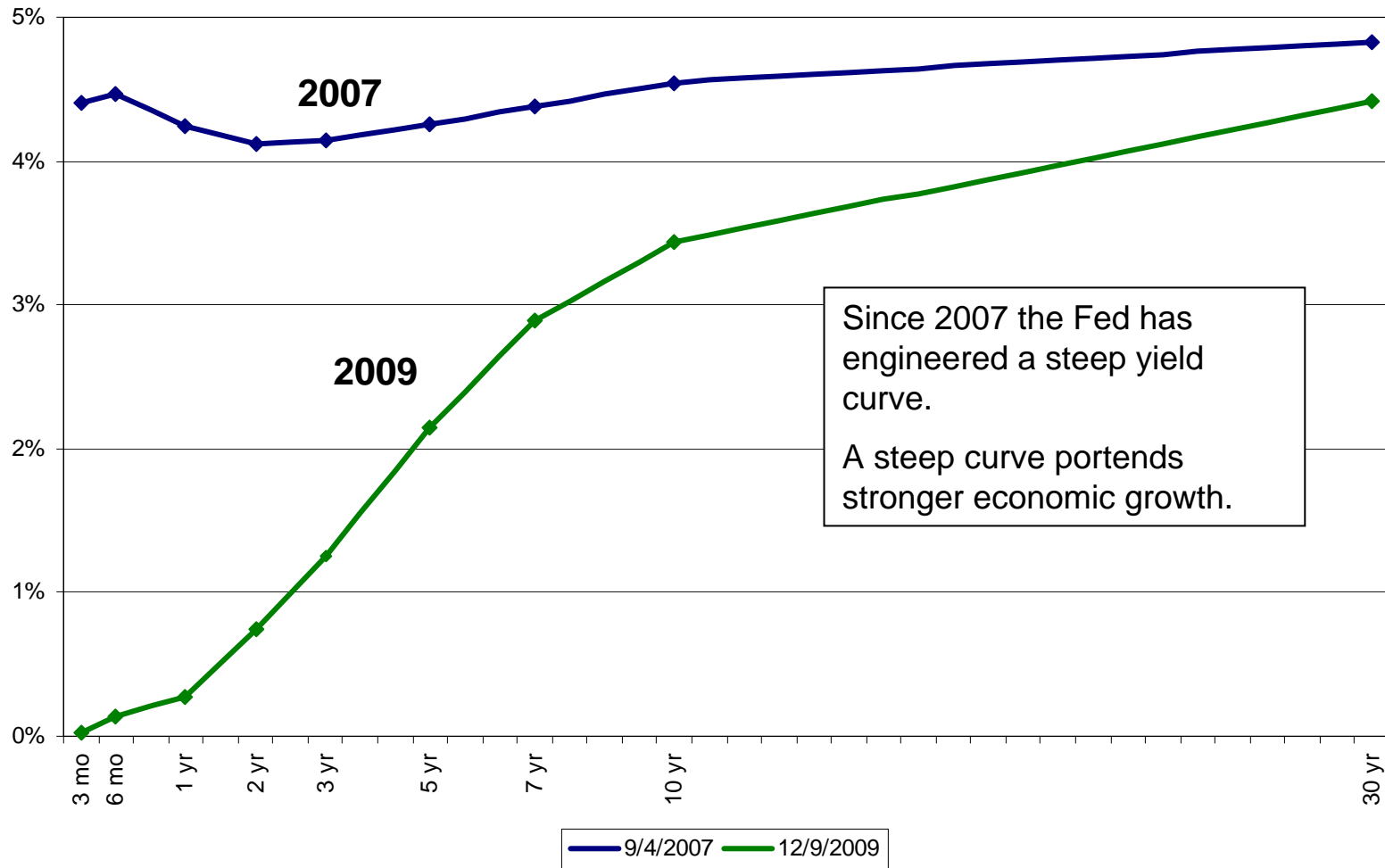
FY 1969 – FY 2009



Source: Bloomberg/Internal Sources/CBO



# U.S. Treasury Yield Curve

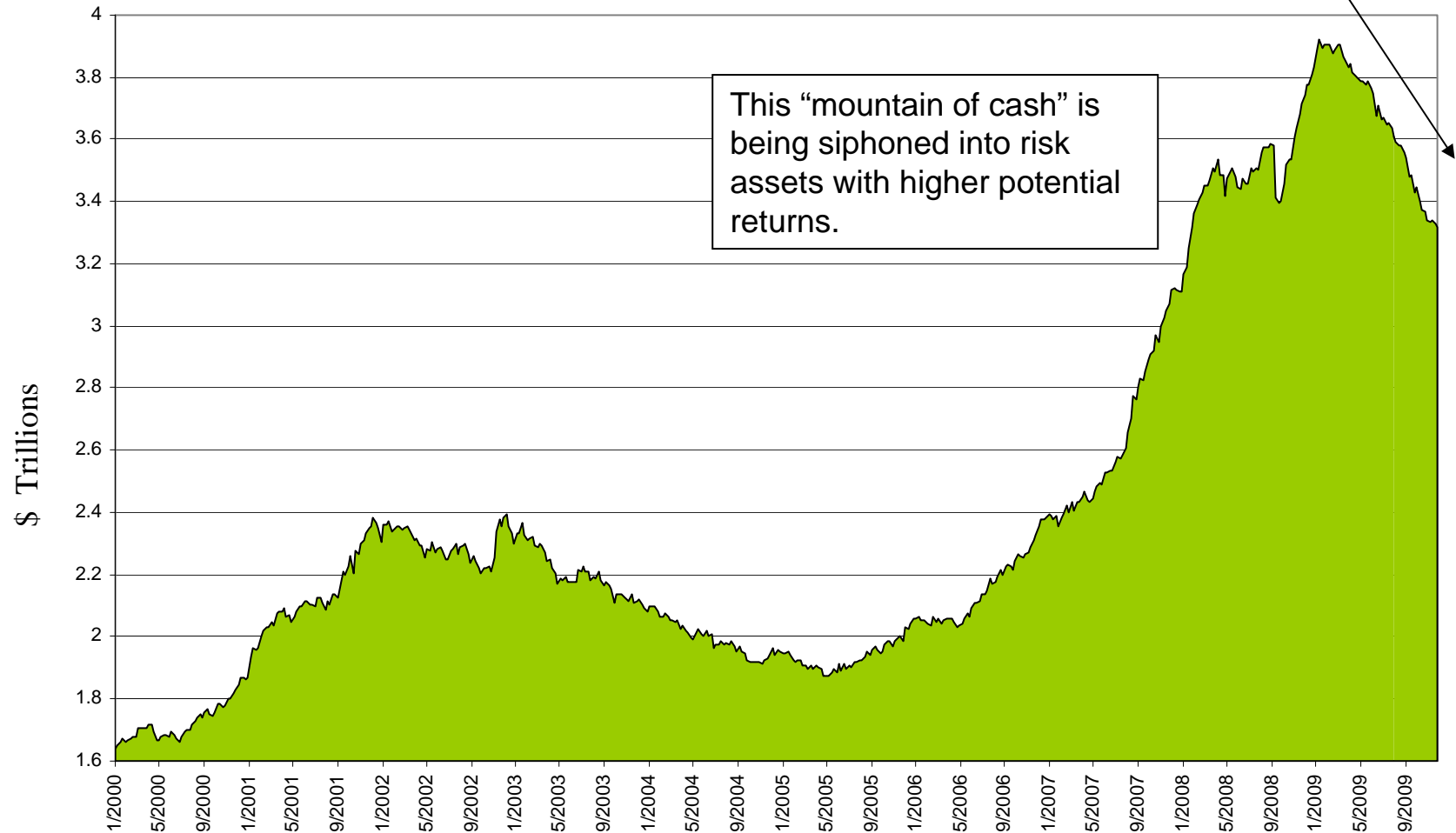


Source: Bloomberg

# Financial Market Reaction

# Money Market Fund Assets

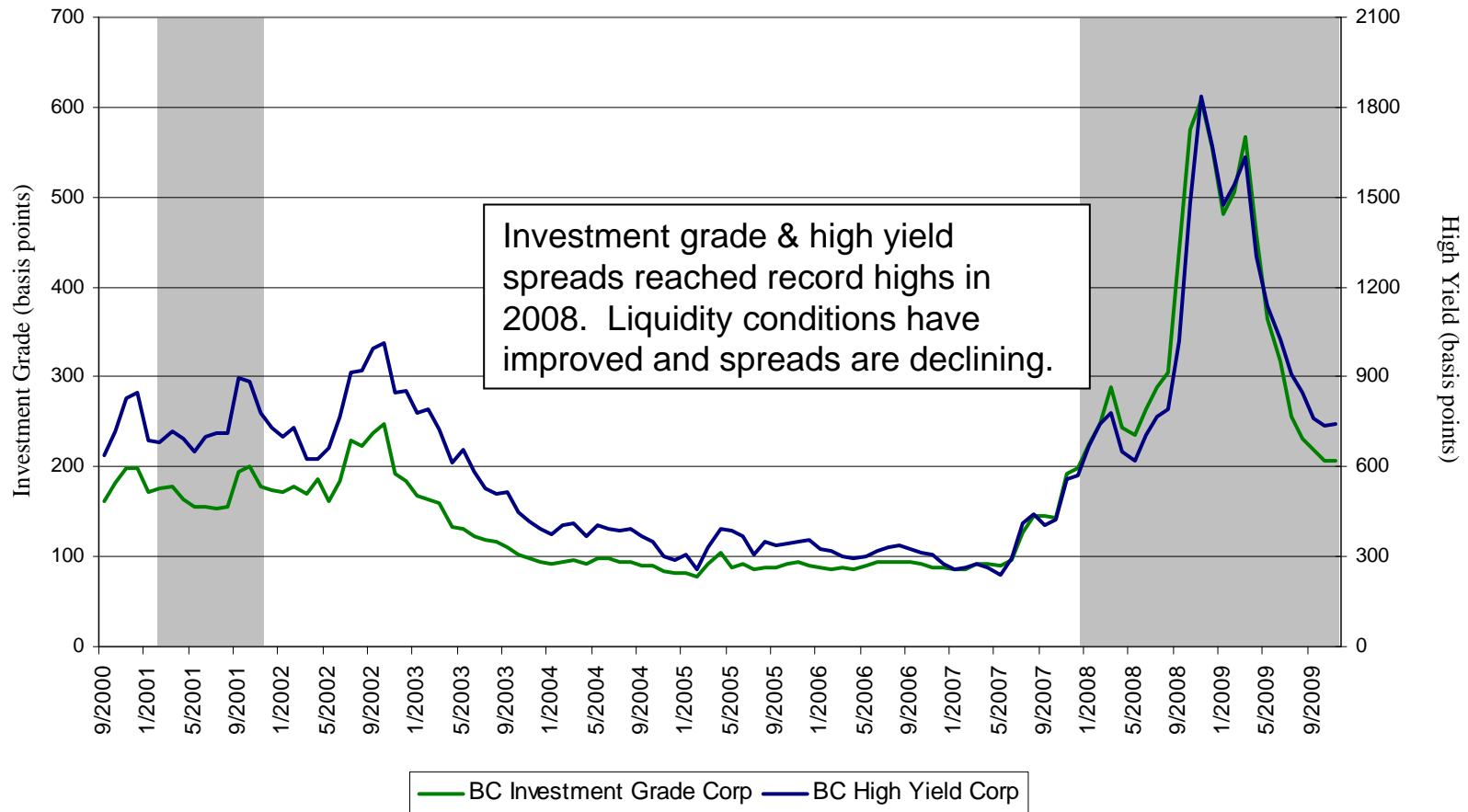
## January 5, 2000 – December 2, 2009



Source: Bloomberg

# Investment Grade & High Yield Corporate Bond Spreads

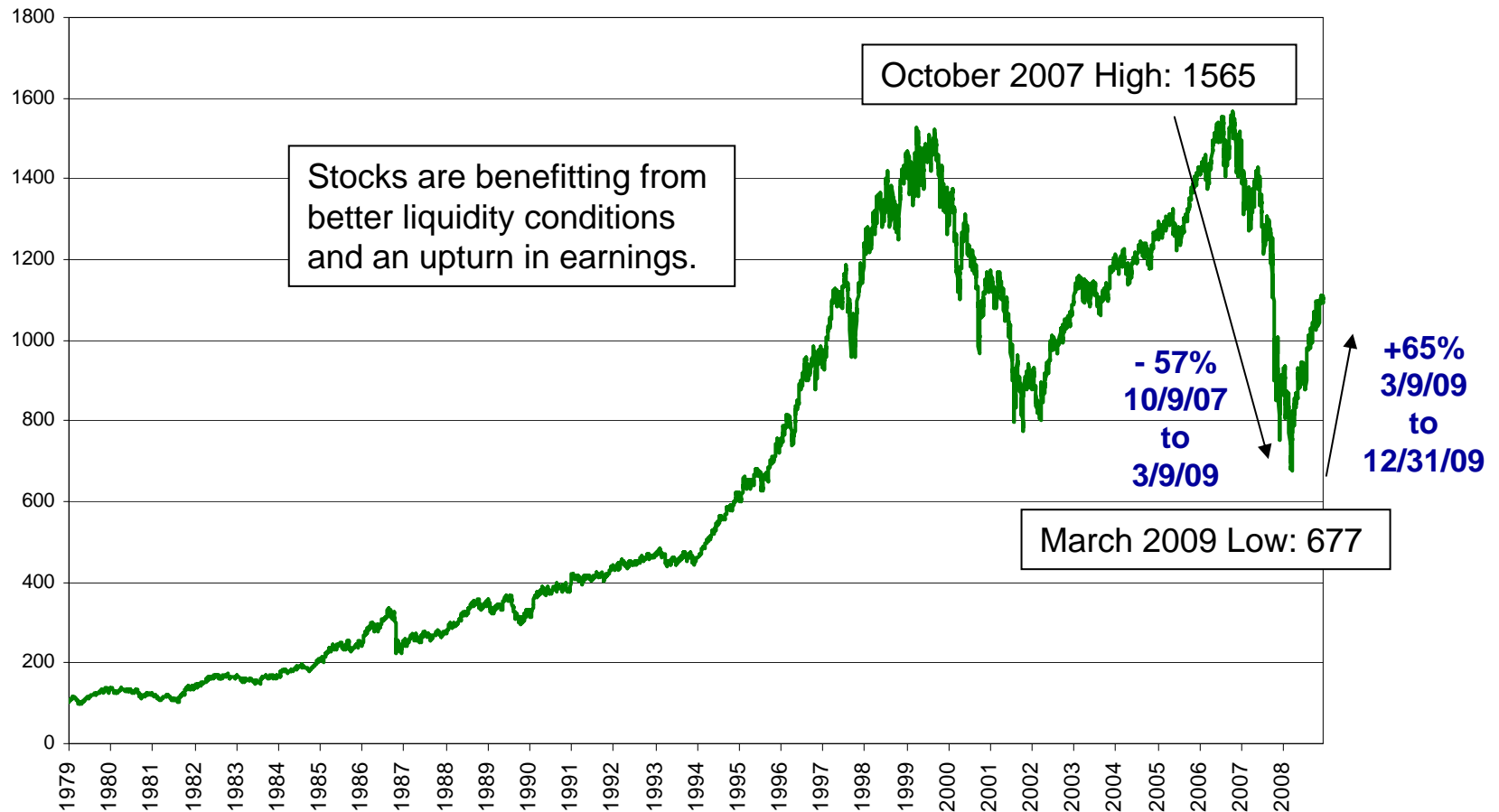
## September 2000 – November 2009



Source: Bloomberg/Barclays Capital

# S&P 500 Index

December 31, 1979 – December 31, 2009

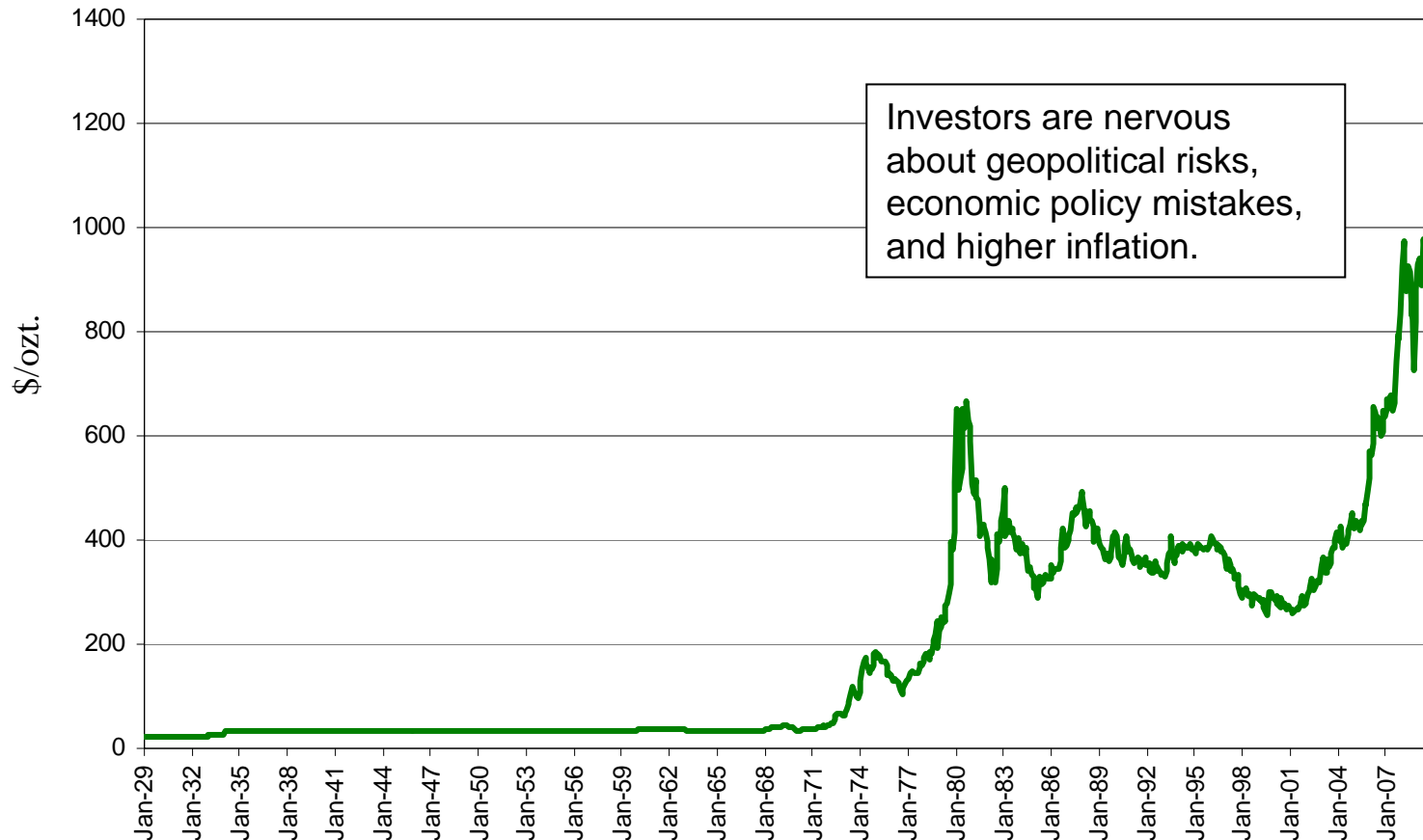


Source: Bloomberg

Gold  
\$ Dollar \$  
Inflation

# Price of Gold

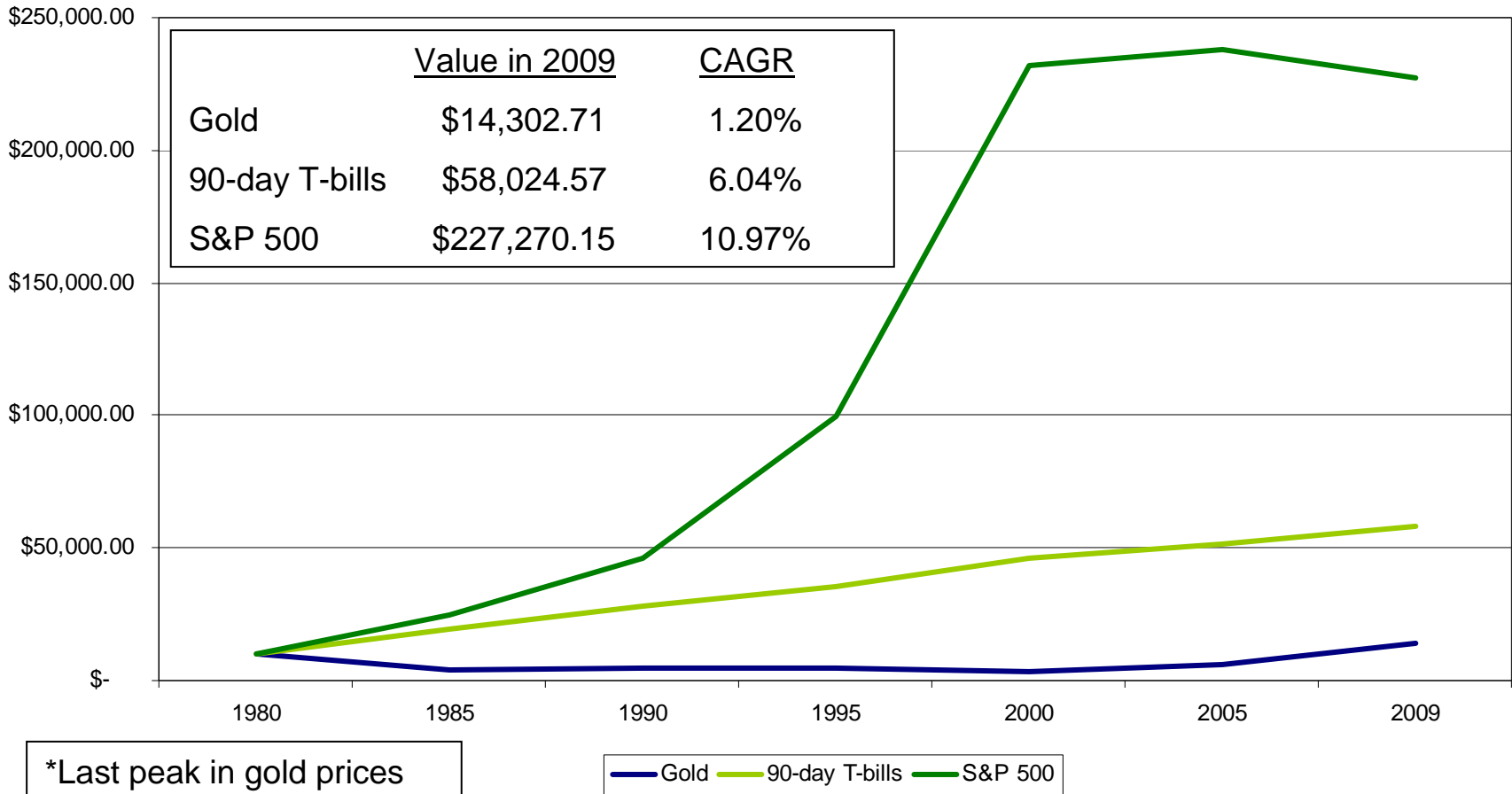
January 1929 – December 2009



Source: Bloomberg/Federal Reserve/Wall Street Journal

# Growth of a \$10,000 Investment

January 1980\* – December 2009



Source: Bloomberg



# US Dollar

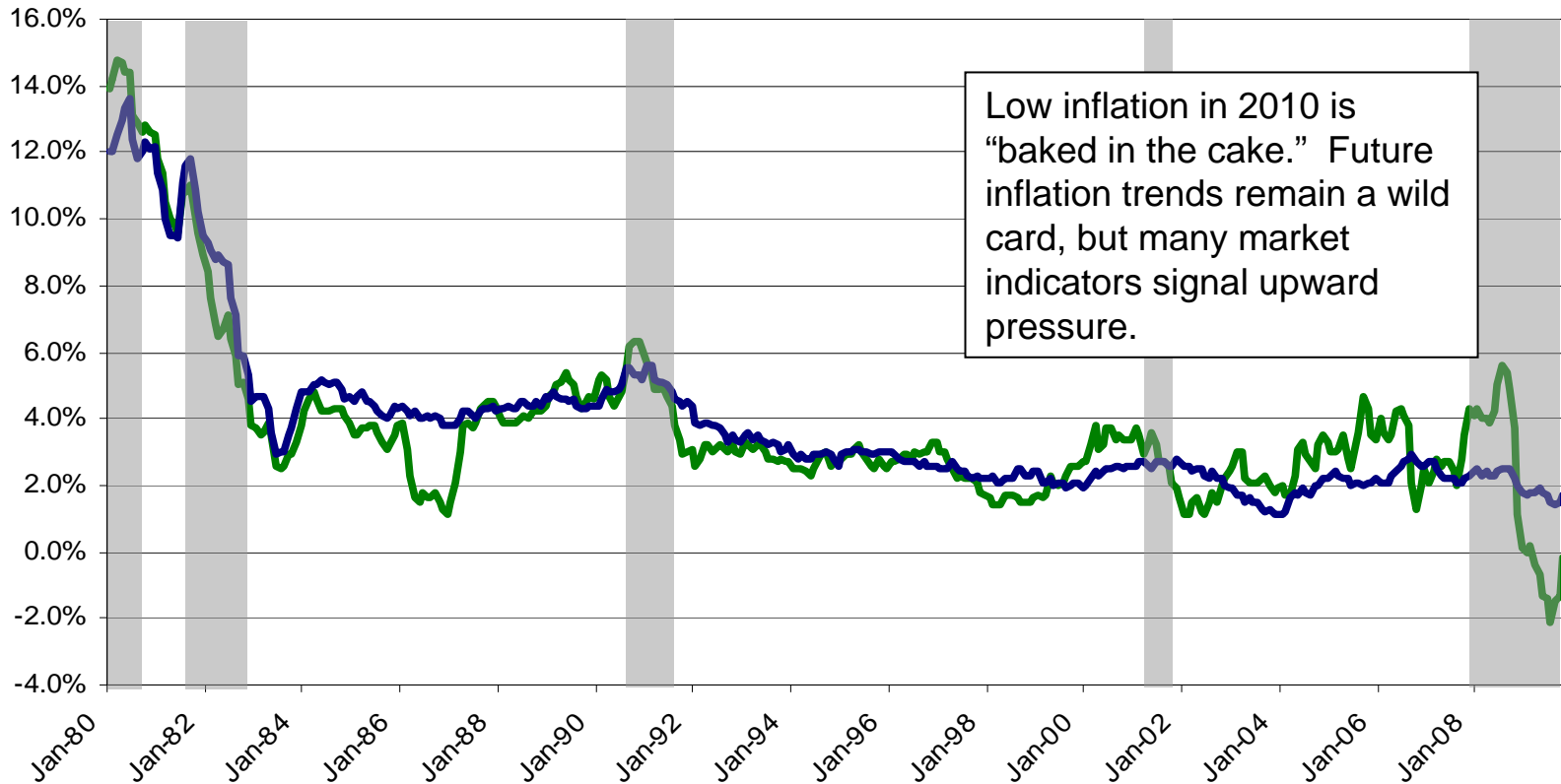
December 31, 1999 – December 9, 2009



Source: Bloomberg

# CPI & Core CPI (YoY % Change)

January 1980 – October 2009



	High	Low	Average	Latest
CPI	14.8	-2.1	3.7	-0.2
Core	13.6	1.1	3.8	1.7

— CPI — Core CPI

Source: Bloomberg

Q & A