

Brighton Financial Planning, Inc.

Economic and Financial Market Review 2nd Quarter 2009

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U.S. Economy

Data Review

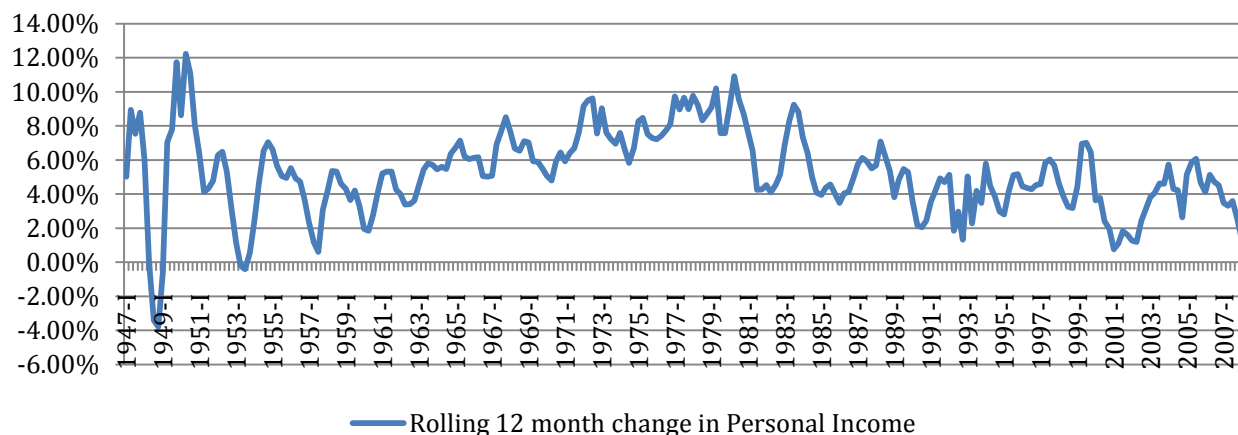
Data	Current	Year Over Year	Notes
Consumer Price Index (CPI) (as of June 17)	+0.1%	-1.3%	Largest annual decline in inflation rate since 1950
Unemployment rate (as of July 2 for June)	9.5%	+4%	Up from 7.2% at the end of 2008 and 5.5% a year ago
Gross Domestic Product (GDP) (June 25 for Q1)	-5.5%		Better than Q4 2008's - 6.3%, and slightly better than previous estimate of - 5.7%
As of June 30, 1 euro equaled:	\$1.40		Dollar weaker than March's \$1.32
As of June 30, \$1 equaled:	¥95.55		Dollar weaker than March's ¥97.29

Source: Forefield, Inc.

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- U.S. Economy
 - GDP growth likely to remain negative for the 2nd quarter
 - Key negative driver for last 2 quarters has been Corporate Investment
 - Personal consumption still accounts for 70% of GDP

Rolling 12 month change in Personal Income

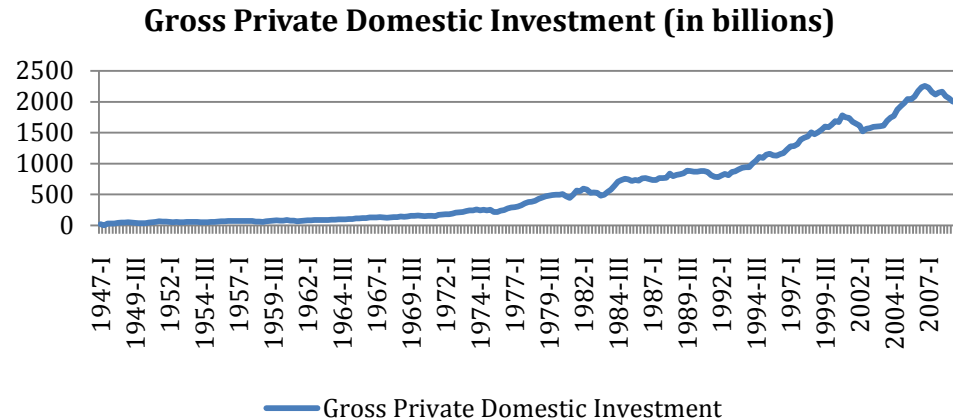


- Consumers are struggling to maintain current income

Source: Bureau of Economic Analysis

U.S. Economy

- Consumers and Corporations are not spending



- Consumers and Corporations are de-leveraging their balance sheets
 - Result is higher savings and less spending
 - Which leads to decline in GDP
 - Government spending is up significantly but is not wealth-creating long-term

Source: Bureau of Economic Analysis

U.S. Economy

- Conclusions
 - GDP growth should continue to be anemic for the near future
 - 2/3rds of GDP is consumer driven and consumers are not spending
 - Unemployment remains high with most growth in government jobs
 - High leverage + unemployment is not good
 - Consumers know this and are cutting back spending and paying down debt
 - Corporations are not investing in capital
 - Recovery should be driven by new capital spending
 - As companies invest in new capital, employment will pick up
 - Government is attempting to pick up the slack
 - Not success yet and questionable as to whether it will be at all
 - Can create other issues such as inflation
 - Inflation and higher tax risks remains
 - Government spending can be inflationary
 - Unlikely to be curtailed as economy recovers
 - Increase in money supply and velocity + devalued dollar create inflationary pressures
 - Higher spending needs means higher income needs

Source: Bureau of Economic Analysis

Global Economy

- Global economy very dependent on U.S. economy
 - U.S. is leading consumer of global supply

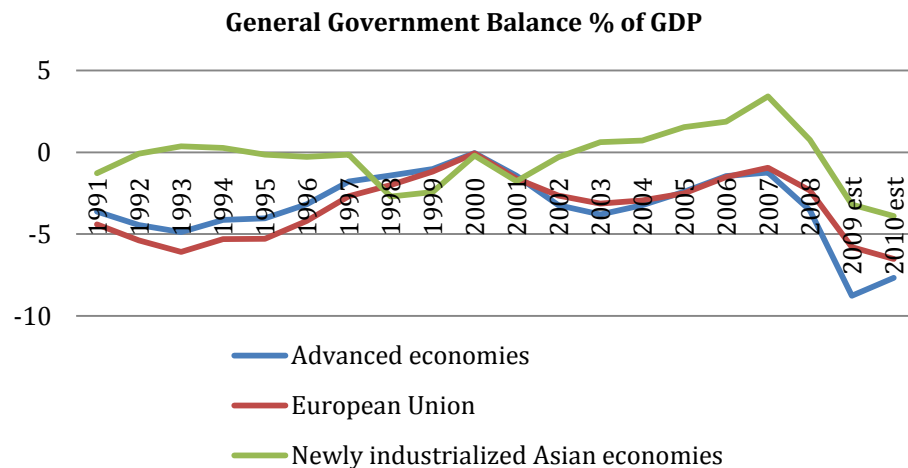


- However, emerging markets have suffered less than developed markets
- And, the IMF forecasts continued improvement in emerging markets
- But, decline in U.S. consumption must be offset somewhere
 - Either higher consumption x U.S.
 - Or reduction in supply

Source: Bureau of Economic Analysis

Global Economy

- Developed Markets have struggled much like the U.S.

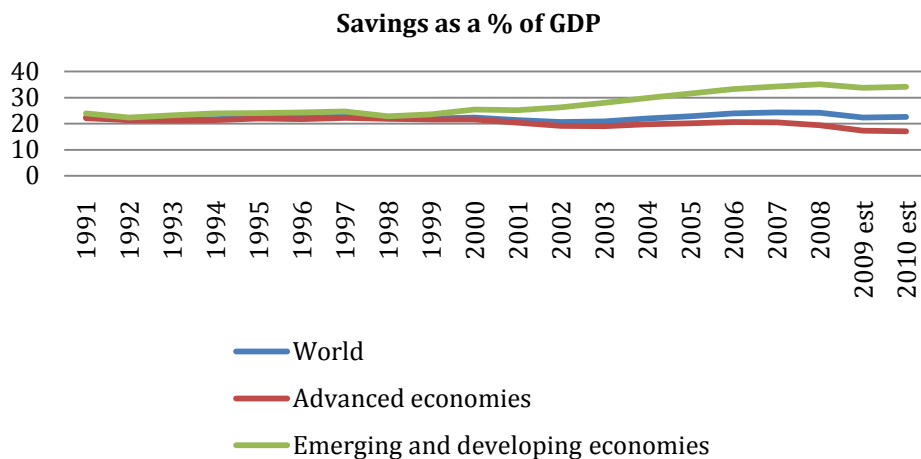


- U.S. and EU (primary components of Advanced Economies)
 - Ran government net deficits for much of the last 15 years
 - Have increased government expenditures to combat global recession
- Emerging Markets ran surplus during early part of this decade
 - Have increased spending but only deficit forecast to remain under 4%
 - Suggests economic improvement will be easier and more quickly achieved

Source: Bureau of Economic Analysis

Global Economy

- Developed Markets also track U.S. savings

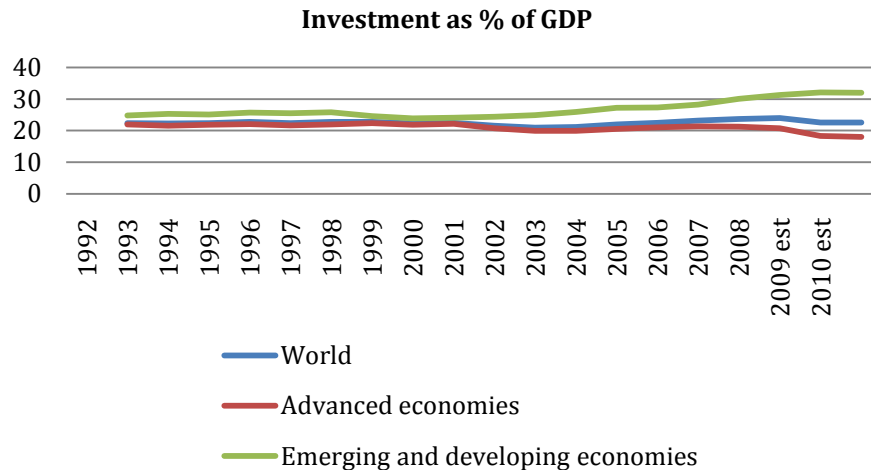


- Aggregate saving is declining and is expected to continue
 - Government and private sector
 - Rapid increase in government spending completely offsetting private savings
- Emerging markets savings increasing rapidly since 2001
 - Slight dip forecast in 09 as gov't spending increases

Source: Bureau of Economic Analysis

Global Economy

- Developed markets investment flat



- Investment is key contributor to GDP improvement
 - Private investment, particularly corporate capital spending will drive growth
- Emerging markets investment has improved steadily over last 6 years
 - And is forecast to continue to remain well above developed markets

Source: Bureau of Economic Analysis

Global Economy

- Conclusions
 - Developed markets are struggling just as much as U.S.
 - Are highly dependent on U.S. for goods and services
 - Must replace U.S. demand and/or services
 - Many don't have the infrastructure to quickly offset that decline
 - Emerging markets are also weak, BUT
 - Had healthier balance sheets entering the recession
 - Haven't increased government spending above investment and savings
 - Are more dependent on commodities consumption
 - Driven by China and India currently
 - Should recover more quickly than developed markets (including U.S)

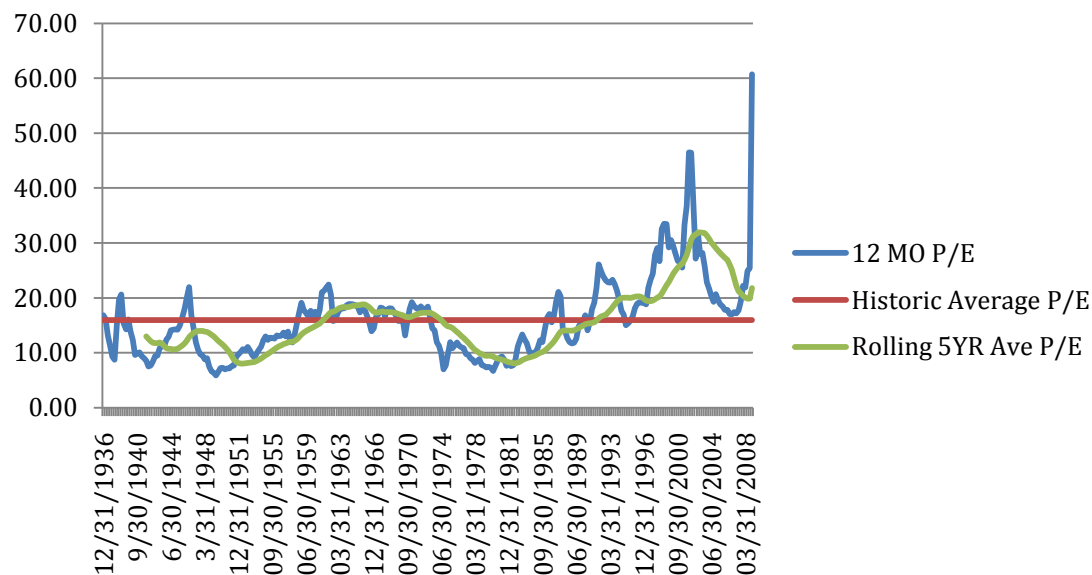
Financial Markets Performance

Market/Index	June 30	Quarterly Change	Year Over Year
DJIA	8447.00	+11.0%	-25.6%
NASDAQ	1835.04	+20.0%	-20.0%
S&P 500	919.32	+15.2%	-28.2%
Russell 2000	508.28	+20.2%	-26.3%
Global Dow	1629.31	+20.9%	-34.0%
Fed. Funds	.25%	0	-175 bps
2-year Treasuries	1.11%	+30 bps	-152 bps
10-year Treasuries	3.53%	+82 bps	-46 bps
Crude Oil (per barrel)	\$69.82	+44%	-50.1%
Spot Gold (per oz.)	\$928.50	+8%	+4%

- Equity markets rallied strongly
- Smaller cap, lower quality stocks led
- International equity participated
- All remain significantly down for 12 mos.
- Fed Funds cut sharply to combat recession
- Short-term Treasuries have been the safe haven for investors
- Oil rallied but well off last summer's highs
- Gold and other precious metals have held value

Source: Forefield, Inc.

Equity Markets



- Earnings continue to deteriorate
 - S&P is now forecasting a trailing twelve month loss for period ending 9/30
 - Trailing “As Reported” P/E at all-time high

Equity Markets

- Conclusions
 - P/E ratios tend to trend higher as the economy emerges from recession
 - S&P forecasts 2009 earnings at \$29.97 per share
 - Applying a P/E of 30 (trend forecast) suggests ending S&P 500 Index value of 899.10
 - S&P forecasts 2010 earnings at \$37.26 per share
 - Applying the same P/E suggests ending S&P 500 Index value of 1,117.80
 - However, P/E tends to peak 6 to 9 months after recession end
 - Thus, more likely to be around 24, so S&P 500 at end of 2010 forecast = 908

Looking Ahead

- Weak U.S. economy will gradually improve over the next 18 months
- Global economy will track U.S. but with stronger recovery in EM
- Inflation remains a risk as stimulus spending enters an improving economy
- Equity markets remain flat to slightly positive as lack of leverage suggests any improvement will match earnings growth
- Fixed income markets offer mixed bag – higher inflation is not good but credit dislocation beginning in 2008 hasn't completely resolved itself
 - Inflation hedges – TIPS, Bank Loans may offer opportunities
- Emerging markets and commodities may offer better returns over next 2 years
 - EM equity and fixed income
 - Commodities producers, oil and gas (MLPs)