
Market Update

April 2009 Review

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Proceed with Caution?

Capital markets have experienced quite a reversal in just an eight week time period and, once again, we find ourselves asking if the rally is for real. With the experience of a rally in December, 2008 following huge market drops in the previous two months, the question asked was whether April, 2009 was going to follow a similar pattern. Following the continued nose dive major indices experienced in January and February, markets experienced the proverbial bounce in March that might be associated with an oversold environment. At the end of each week in April, many thought that the bears would come out of hibernation the following week. However, the rally continued through April and the bounce had more life than originally thought. Four of the five weeks in April were positive for the Standard & Poor's 500 Index. Combined with March, that is seven of the last eight weeks in positive territory. But still the question remains, is the worst of the bear market over or will we retest the market lows of February, 2009?

No one can say for sure, so perspective is in order. Corporate earnings from the 1st quarter of 2009 were mostly negative. Factory orders and consumer confidence continue to exhibit stagnant to declining characteristics, Gross Domestic Product confirms a second consecutive quarter of economic contraction, home prices continued to fall, and unemployment continues to rise. Nothing has changed here, except possibly the rate of decline. So, to put things simply, capital markets improved due in part to an easing in the rate of decline of economic data. This, however, is not insignificant and is a typical sign of a bottoming process. Whether this can hold and launch the next sustainable bull market is still a question and again, only time will tell.

When the dust settled, April equity returns erased the severity of year-to-date losses on most major indices. The Dow Jones Industrial Average was up 7.6% for the month and Standard & Poor's 500 Index gained 9.6%. The NASDAQ Composite Index returned 12.4%, bringing its year-to-date returns into positive territory for 2009. International

Market Update

markets, represented by the MSCI EAFE Index, also exhibited the same magnitude of gains, improving 12.3%, while the MSCI Emerging Markets Index led all major indices jumping 16.3%.

	April	YTD
DJIA	7.6%	-5.9%
S&P 500	9.6%	-2.5%
NASDAQ	12.4%	9.3%
MSCI EAFE	12.3%	-4.2%
Barclays Aggregate	.5%	0.6%
Barclays U.S. Corp. High Yield	12.1%	18.8%

Like equities, corporate fixed income showed remarkable strength. Lower rated bonds rallied with the Barclays Capital U.S. Corporate High Yield Index up 12.1%, and the Barclays Capital Bank Loan Index up 9.8%. Treasuries were the lone weak spot as the Barclays Capital U.S. Treasury Index lost 1.8%, as an abundance of supply in the market place continues to put pressure on Treasury prices. In total, the barometer of the fixed income market, the Barclays Capital U.S. Aggregate Index edged up 0.5%.

In order to press forward from this point, markets are going to look for positive data or real signs of life in the months ahead. The status quo or less negative information will only bring capital markets off their lows. Real sustainable momentum needs concrete evidence of economic growth. The current rally may be extended by a strong start to the housing season or an uptick in consumer spending, in turn, decreasing inventory levels and increasing production orders. Information pointing in the opposite direction may only reignite fears that the worst is not yet over. What is known is that the economic picture is still fragile; capable of going in either direction.

Definitions & Disclosures:

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch, and S&P is Ba1/BB+/BB+ or below.

The Barclays Capital Bank Loan Index is a market-weighted index that tracks the performance of institutional leveraged loans. By monitoring spreads and interest payments, the index can be a useful tool in gauging the health of the institutional loan markets.

The Barclays Capital US TIPS Index represents public obligations inflation-linked bonds offered by the U.S. Treasury only remaining maturities of one year or more

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.