

Investment Management Division

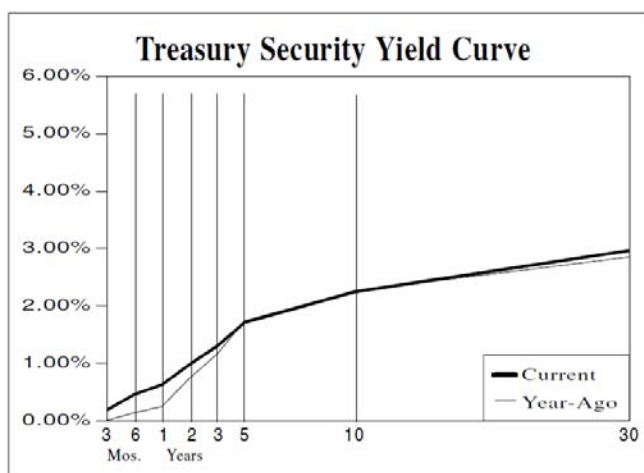
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Here is a series of graphs I have collected over time.

December 28, 2015

	Recent (12/22/15)	3 Months Ago (9/23/15)	Year Ago (12/23/14)		Recent (12/22/15)	3 Months Ago (9/23/15)	Year Ago (12/23/14)
TAXABLE							
Market Rates							
Discount Rate	1.00	0.75	0.75	Mortgage-Backed Securities			
Federal Funds	0.25-0.50	0.00-0.25	0.00-0.25	GNMA 5.5%	2.09	1.80	1.69
Prime Rate	3.50	3.25	3.25	FHLMC 5.5% (Gold)	2.15	1.96	1.50
30-day CP (A1/P1)	0.36	0.09	0.11	FNMA 5.5%	1.93	1.69	1.34
3-month LIBOR	0.59	0.33	0.26	FNMA ARM	1.81	1.80	1.89
U.S. Treasury Securities							
3-month	0.19	0.01	0.01	Corporate Bonds			
6-month	0.46	0.09	0.14	Financial (10-year) A	3.67	3.67	3.50
1-year	0.63	0.33	0.25	Industrial (25/30-year) A	4.29	4.31	4.05
5-year	1.71	1.45	1.74	Utility (25/30-year) A	4.36	4.37	4.04
10-year	2.24	2.15	2.26	Utility (25/30-year) Baa/BBB	4.84	4.80	4.43
10-year (inflation-protected)	0.83	0.67	0.60	Foreign Bonds (10-Year)			
30-year	2.96	2.95	2.85	Canada	1.44	1.49	1.90
30-year Zero	3.11	3.09	2.96	Germany	0.62	0.60	0.59
Common Stocks							
VL Stocks (Median)	2.40	2.30	2.00	Japan	0.28	0.31	0.34
DJ Industrials (12-mo. est.)	2.60	2.80	2.30	United Kingdom	1.91	1.80	1.85
VL Utilities	3.87	3.99	N/A	Preferred Stocks			
				Utility A	5.90	5.96	5.96
				Financial BBB	5.98	6.13	6.60
				Financial Adjustable A	5.47	5.47	5.47

Figure 1 - Value Line Investment Survey 12/22/15



TAX-EXEMPT							
Bond Buyer Indexes							
20-Bond Index (GOs)	3.57	3.78	3.65				
25-Bond Index (Revs)	3.97	4.18	4.43				
General Obligation Bonds (GOs)							
1-year AAA	0.51	0.35	0.22				
1-year A	0.82	0.89	0.56				
5-year AAA	1.33	1.36	1.34				
5-year A	1.97	2.03	1.81				
10-year AAA	2.02	2.19	2.11				
10-year A	2.78	3.13	2.69				
25/30-year AAA	2.87	3.12	2.87				
25/30-year A	3.63	4.04	3.70				
Revenue Bonds (Revs) (15 Years)							
Education AA	2.79	3.19	2.77				
Electric AA	2.25	3.00	2.94				
Housing AA	3.13	3.28	3.19				
Hospital AA	2.22	2.91	2.86				
Toll Road AA	2.74	2.93	2.67				

Source: Bloomberg Finance L.P.

Valuations and Yields	12/22	12/16	13-week range	50-week range	Last market top (5-21-2015)	Last market bottom (3-9-2009)
Median price-earnings ratio of VL stocks	17.4	17.3	16.8 - 18.4	16.7 - 19.6	19.3	10.3
P/E (using 12-mo. est'd EPS) of DJ Industrials	15.9	16.2	14.7 - 16.4	14.5 - 17.7	16.2	17.3
Median dividend yield of VL stocks	2.4%	2.4%	2.2 - 2.4%	2.0 - 2.4%	2.0%	4.0%
Div'd yld. (12-mo. est.) of DJ Industrials	2.6%	2.6%	2.5 - 2.8%	2.3 - 2.8%	2.4%	4.0%
Prime Rate	3.5%	3.5%	3.3 - 3.5%	3.3 - 3.5%	3.3%	3.3%
Fed Funds	0.4%	0.2%	0.1 - 0.4%	0.1 - 0.4%	0.1%	0.2%
91-day T-bill rate	0.2%	0.3%	0.0 - 0.3%	0.0 - 0.3%	0.0%	0.3%
AAA Corporate bond yield	3.9%	4.0%	3.9 - 4.1%	3.4 - 4.3%	4.1%	5.5%
30-year Treasury bond yield	3.0%	3.0%	2.9 - 3.1%	2.3 - 3.2%	3.1%	3.7%
Bond yield minus average earnings yield	-1.8%	-1.8%	-2.0 - -1.4%	-2.0 - -0.9%	-1.1%	-4.3%
Market Sentiment						
Short interest/avg. daily volume (5 weeks)	14.9	16.0	14.9 - 18.5	14.9 - 21.2	20.0	8.6
CBOE put volume/call volume	.96	.95	.85 - 1.17	.67 - 1.33	.89	.93

February 11, 2014 Some graphs of interest

AFTER 20%+ ADVANCES: Better Than Average

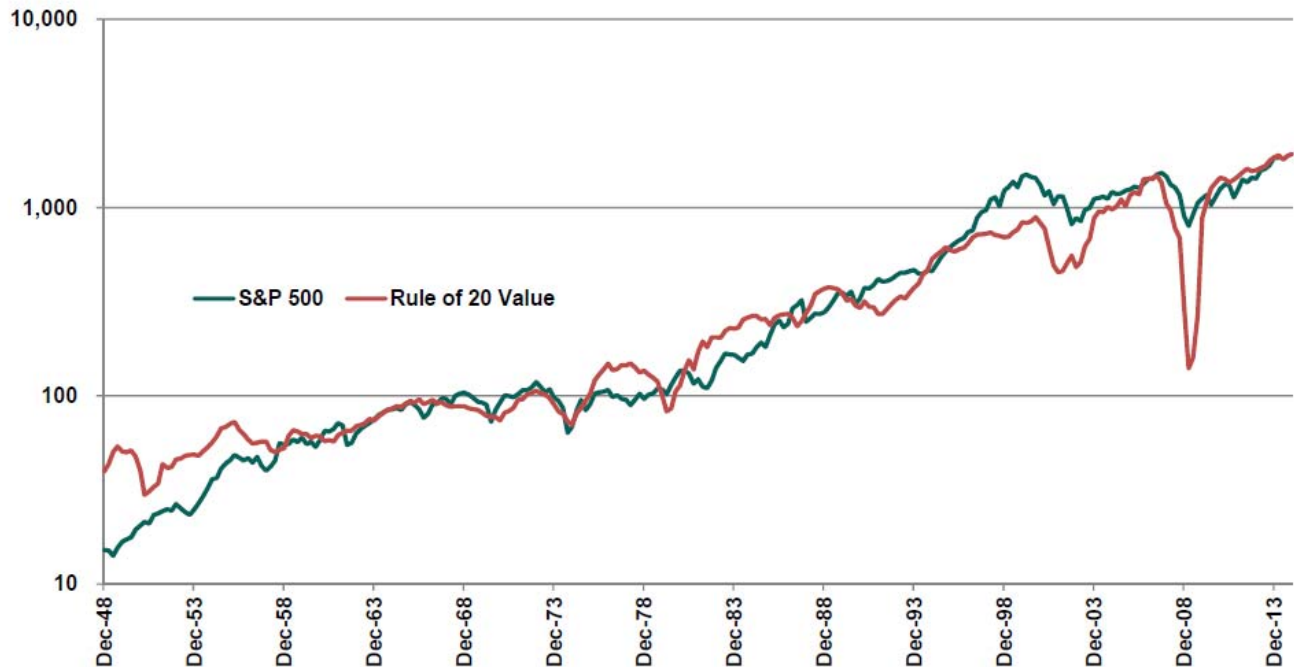
Strong Annual Performances Tend to Extend into the Following Year

Year	% Chg.	Next Yr. % Chg.	Up Year?	Declines That Year
1945	30.7%	-11.9%	No	5/46 Bear
1950	21.8%	16.5%	Yes	(8.1)
1954	45.0%	26.4%	Yes	(10.6)
1955	26.4%	2.6%	Yes	8/56 Bear
1958	38.1%	8.5%	Yes	8/59 Correction
1961	23.1%	-11.8%	No	12/61 Bear
1967	20.1%	7.7%	Yes	11/68 Bear
1975	31.5%	19.1%	Yes	9/76 Correction
1980	25.8%	-9.7%	No	11/80 Bear
1985	26.3%	14.6%	Yes	(9.4)
1989	27.3%	-6.6%	No	(19.9)
1991	26.3%	4.5%	Yes	(6.2)
1995	34.1%	20.3%	Yes	(7.6)
1996	20.3%	31.0%	Yes	(10.8)
1997	31.0%	26.7%	Yes	(19.3)
1998	26.7%	19.5%	Yes	(12.1)
2003	26.4%	9.0%	Yes	(8.2)
2009	23.5%	12.8%	Yes	(16.0)
Average	28.0%	10.0%	78%	(11.7)

Source: S&P Capital IQ. Indexes are unmanaged, statistical composites and it is not possible to invest directly in an index. The returns shown do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause actual and back tested performance to be lower than the performance shown. Returns exclude dividends. Past performance is no guarantee of future results.

VALUATIONS: The “Rule of 20”

The S&P 500’s P/E on Trailing 12-Month GAAP P/E Plus CPI Should Equal 20 in a Fairly Valued Market



Source: S&P Capital IQ. Past performance is no guarantee of future results.

November 19, 2013 Some Metrics from Value Line

Valuations and Yields	11/13	11/6	13-week range	50-week range	Last market top (5-21-2013)	Last market bottom (3-9-2009)
Median price-earnings ratio of VL stocks	17.9	18.5	17.0 - 18.8	15.0 - 18.8	17.5	10.3
P/E (using 12-mo. est'd EPS) of DJ Industrials	14.7	14.8	13.5 - 14.8	12.9 - 14.8	14.0	17.3
Median dividend yield of VL stocks	2.0%	2.0%	2.0 - 2.1%	2.0 - 2.3%	2.1%	4.0%
Div'd yld. (12-mo. est.) of DJ Industrials	2.3%	2.3%	2.3 - 2.6%	2.3 - 2.8%	2.5%	4.0%
Prime Rate	3.3%	3.3%	3.3 - 3.3%	3.3 - 3.3%	3.3%	3.3%
Fed Funds	0.1%	0.1%	0.1 - 0.1%	0.1 - 0.2%	0.1%	0.2%
91-day T-bill rate	0.1%	0.1%	0.0 - 0.1%	0.0 - 0.1%	0.0%	0.3%
AAA Corporate bond yield	4.7%	4.6%	4.5 - 4.7%	3.6 - 4.7%	3.9%	5.5%
30-year Treasury bond yield	3.8%	3.8%	3.6 - 3.9%	2.8 - 3.9%	3.2%	3.7%
Bond yield minus average earnings yield	-0.9%	-0.8%	-1.3 - -0.8%	-3.1 - -0.8%	-1.8%	-4.3%
Market Sentiment						
Short interest/avg. daily volume (5 weeks)	18.8	19.2	17.9 - 21.0	16.3 - 21.2	19.0	8.6
CBOE put volume/call volume	.86	.85	.80 - 1.02	.67 - 1.31	.91	.93

October 16, 2013 Various interest rates in Value Line

	Recent (10/09/13)	3 Months Ago (7/10/13)	Year Ago (10/10/12)		Recent (10/09/13)	3 Months Ago (7/10/13)	Year Ago (10/10/12)
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TAXABLE

Market Rates				Mortgage-Backed Securities			
Discount Rate	0.75	0.75	0.75	GNMA 5.5%	2.38	2.50	0.78
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25	FHLMC 5.5% (Gold)	2.65	2.94	1.84
Prime Rate	3.25	3.25	3.25	FNMA 5.5%	2.33	2.68	1.52
30-day CP (A1/P1)	0.13	0.16	0.26	FNMA ARM	2.11	2.11	2.22
3-month LIBOR	0.25	0.27	0.34	Corporate Bonds			
Bank CDs				Financial (10-year) A	4.11	4.11	3.03
6-month	0.07	0.08	0.13	Industrial (25/30-year) A	4.75	4.71	3.80
1-year	0.09	0.10	0.16	Utility (25/30-year) A	4.65	4.61	3.84
5-year	0.58	0.62	0.86	Utility (25/30-year) Baa/BBB	5.31	5.05	4.15
U.S. Treasury Securities				Foreign Bonds (10-Year)			
3-month	0.04	0.03	0.09	Canada	2.58	2.49	1.79
6-month	0.07	0.07	0.15	Germany	1.81	1.66	1.49
1-year	0.13	0.11	0.17	Japan	0.66	0.86	0.77
5-year	1.45	1.41	0.66	United Kingdom	2.68	2.14	1.77
10-year	2.70	2.58	1.70	Preferred Stocks			
10-year (inflation-protected)	0.45	0.54	-0.83	Utility A	6.14	6.03	5.09
30-year	3.77	3.62	2.90	Financial BBB	6.52	6.43	6.04
30-year Zero	4.03	3.87	3.11	Financial Adjustable A	5.48	5.49	5.49

Bank stock valuations are low

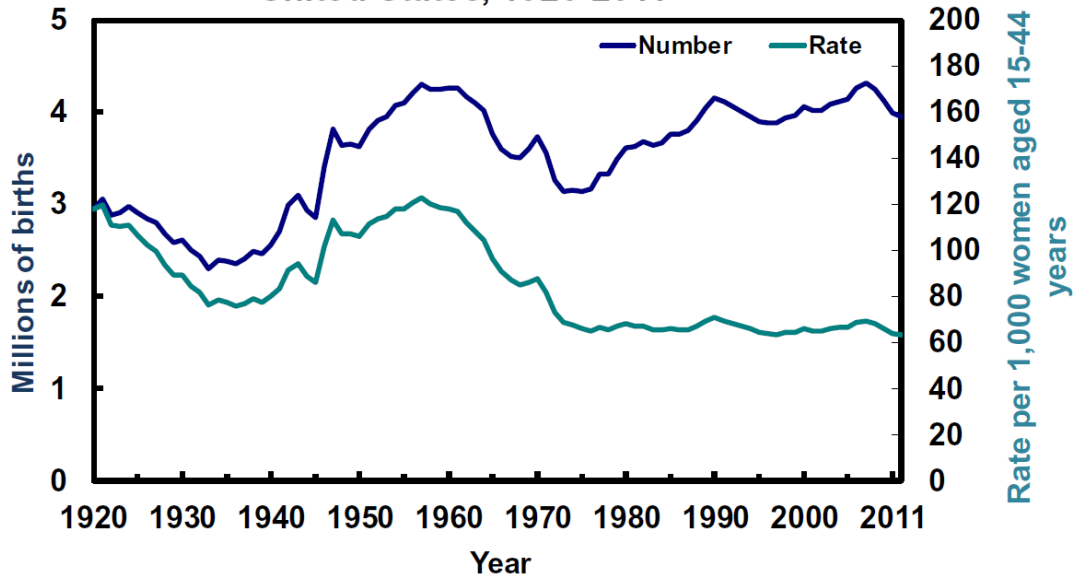


Chris Mayer

Editor & Founder, *Capital & Crisis*, Mayer's Special Situations

September 13, 2013

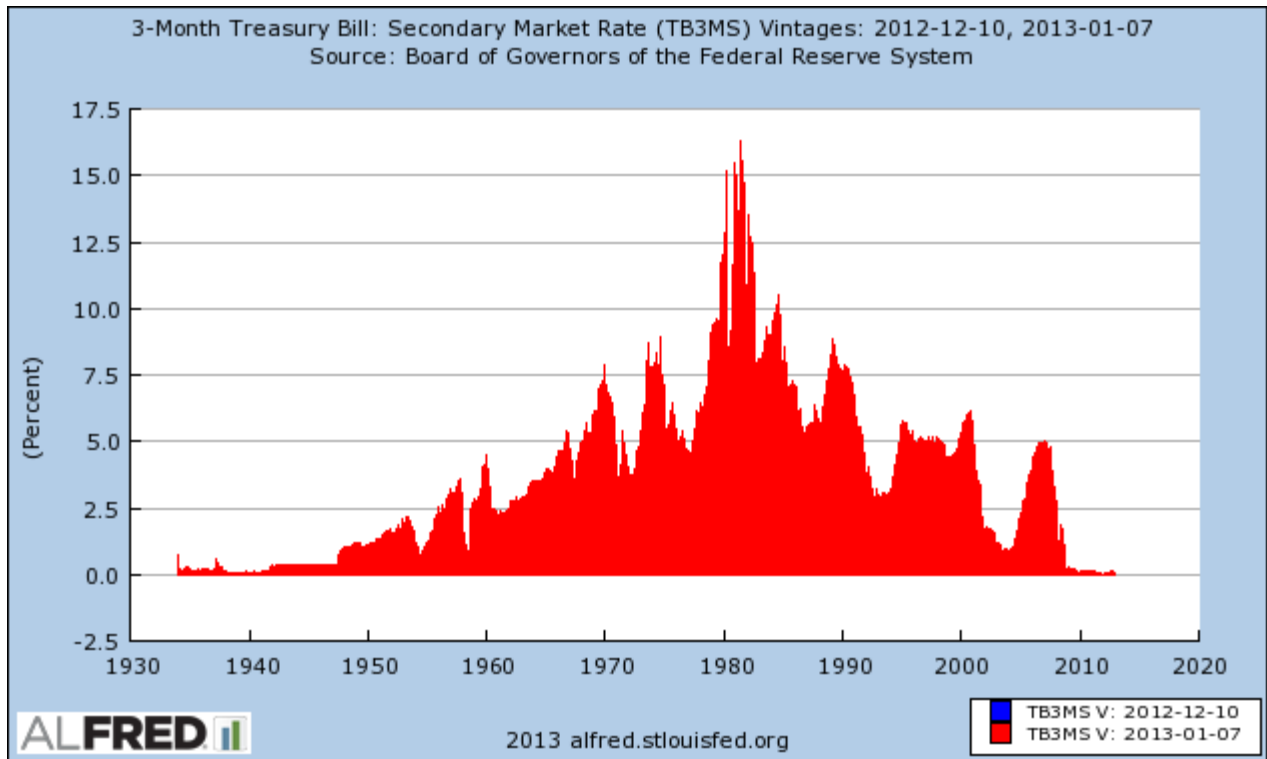
Figure 2. Live births and fertility rates:
United States, 1920-2011



NOTES: Beginning with 1959, trend lines are based on registered live births; trend lines for 1920-58 are based on live births adjusted for underregistration. Rates for 2001-2009 have been revised using new population estimates based on the 2010 census, and may differ from rates previously published; see "Technical Notes."

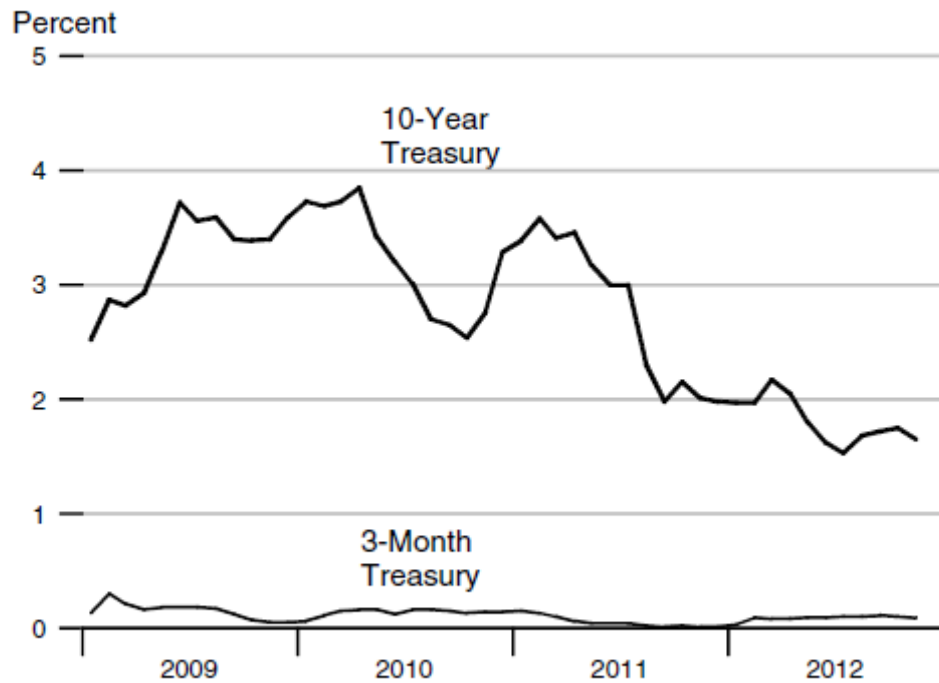
SOURCE: CDC/NCHS, National Vital Statistics System.

January 30, 2013 3-Month Treasury Bill graph since 1930



December 4, 2012

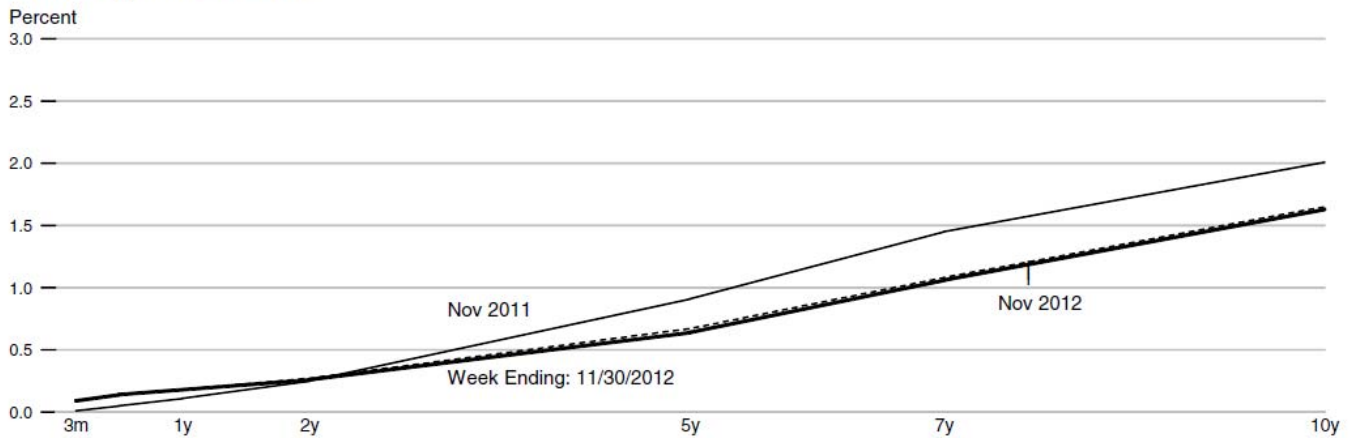
Interest Rates



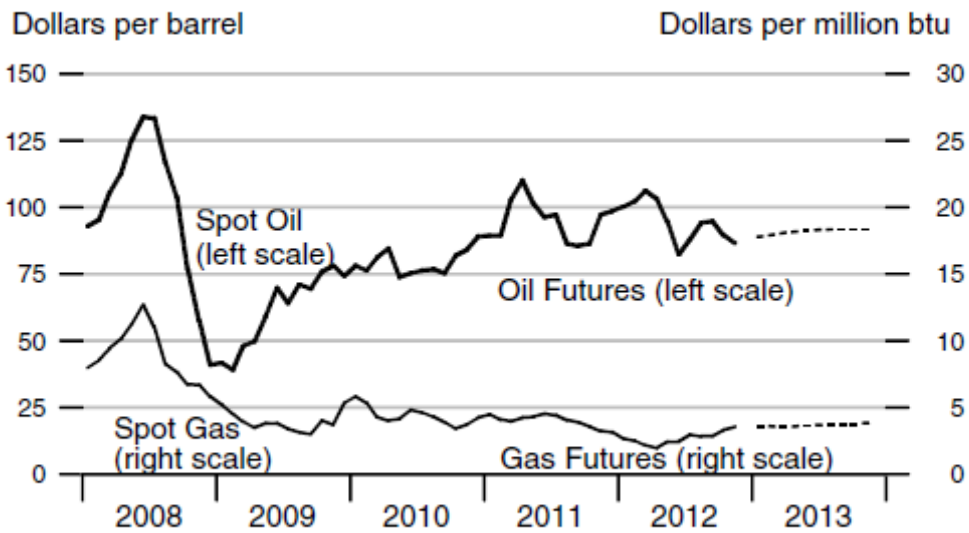
Interest Rates



Treasury Yield Curve



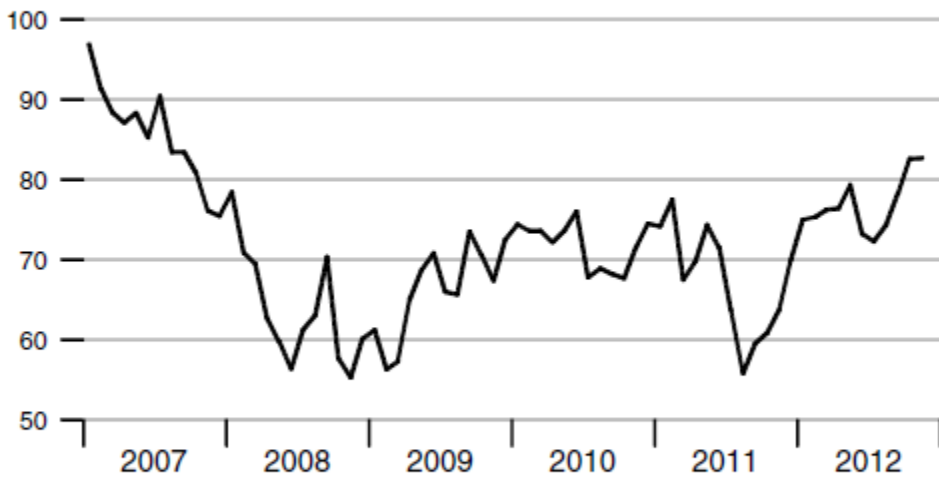
Oil & Natural Gas Prices: Spot & Futures



Note: Futures prices as of 11/30/2012.

Consumer Sentiment (U. of Michigan)

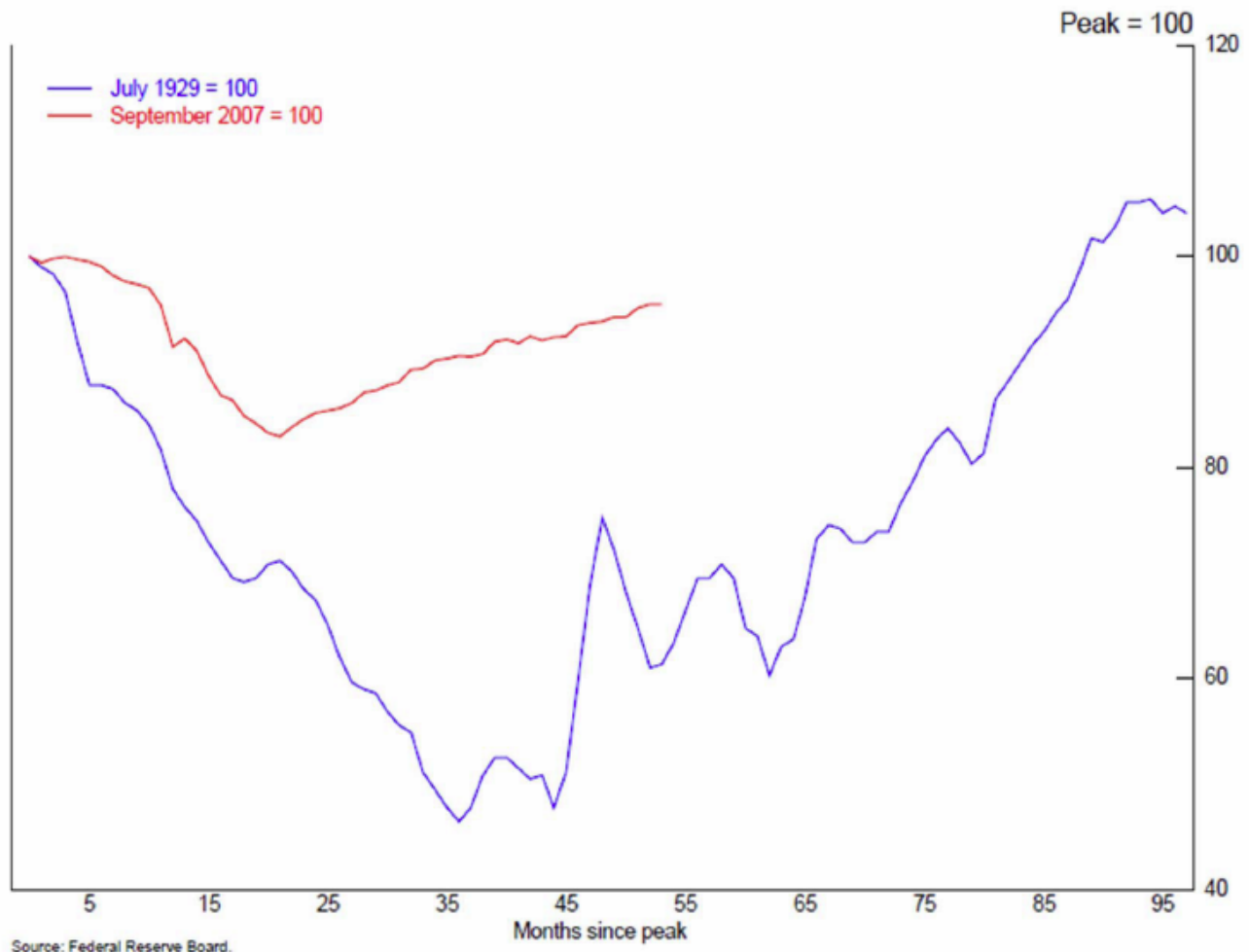
Index



Research Division
Federal Reserve Bank of St. Louis

Comparison to the Great Depression

Industrial Production



October 3, 2012

“Best measure of valuation is the market value of all publicly traded securities as a % of GNP.” (ratio < 80 strong buy) W. Buffett 12/01”

Here is the article where the above quote was taken from

http://money.cnn.com/magazines/fortune/fortune_archive/2001/12/10/314691/

“The ratio has certain limitations in telling you what you need to know. Still, it is probably the best single measure of where valuations stand at any given moment. And as you can see, nearly two years ago the ratio rose to an unprecedented level. That should have been a very strong warning signal.”

<http://www.federalreserve.gov/releases/z1/>

This data comes from Federal Reserve statistical release – Flow of Funds Accounts of the United States. To find this, you can use “CTRL-F” and first search for “**Market value of domestic corporations**” and also search for “**GNP**.”

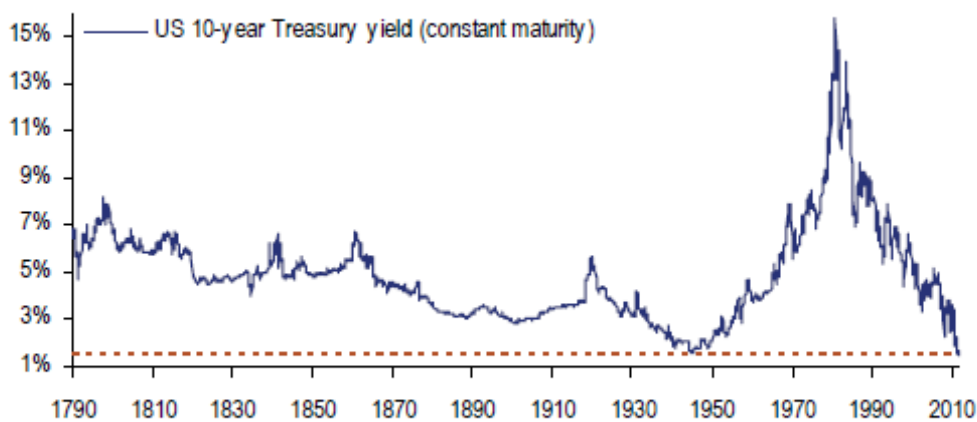
	(A)	(B)	A/B
Date	MV	GNP	MV/GNP
31-Dec-98	13,648.8	8,786.7	155.33%
31-Dec-99	17,202.0	9,288.2	185.20%
31-Mar-00	17,817.4	9,745.0	182.84%
30-Sep-02	9,421.1	10,490.9	89.80%
30-Sep-08	14,995.8	14,538.0	103.15%
31-Dec-08	12,010.5	14,460.0	83.06%
31-Dec-11	17,310.0	15,545.6	111.35%
31-Mar-12	19,371.5	15,662.9	123.68%
30-Jun-12	18,701.8	15,840.6	118.06%

The yellow highlighted area is based on the data I presented to coincide with Warren Buffett’s New York Times OP-Ed piece (http://rbcpa.com/WEB_NYT_20081017.html) , “**Buy American. I am.**”

From the data above, you can see that < 80 never occurred. Yet, I think one can extrapolate the data to get a vague idea of when market over-valuation may exist. Of course, market valuation is not the correlated predictor of individual investments. Yet, I think it acts as a guide.

June 14, 2012

Chart 3: 10 year US Treasury yields recently fell to a 220 year low



Source: BoFA Merrill Lynch Global Equity Strategy, Global Financial Data, Bloomberg

May 4, 2012

Table 4

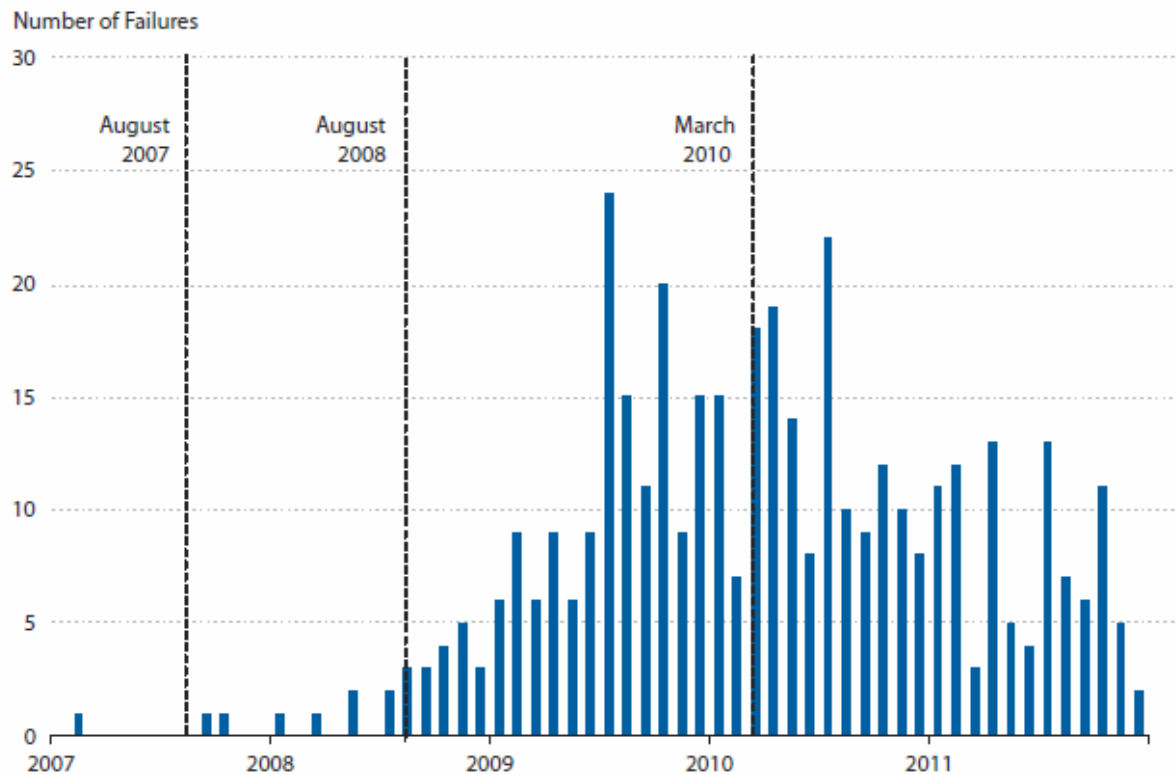
Criteria for Classifying Bank Capitalization

Classification	Total risk-based capital as a percentage of risk-weighted assets		Tier 1 capital as a percentage of risk-weighted assets		Tier-1 leverage ratio
Well capitalized	10% or greater	AND	6% or greater	AND	5% or greater
Adequately capitalized	8% or greater	AND	4% or greater	AND	4% or greater
Undercapitalized	Less than 8%	OR	Less than 4%	OR	Less than 4%
Significantly undercapitalized	Less than 6%	OR	Less than 3%	OR	Less than 3%

NOTE: In addition to meeting these criteria, a *well-capitalized* bank must also be free of any directive from its supervisor to maintain a specific capital level. A bank is classified as *undercapitalized* if it fails to meet any of the three measures for being classified as adequately capitalized. That is, if a bank meets only two of the three criteria for being classified as adequately capitalized, it is classified as undercapitalized. A bank is classified as undercapitalized for purposes of discount window loans if its federal supervisory agency rates the bank as CAMELS 5 or equivalent, irrespective of the levels of the three capital ratios derived from the accounting statements. A bank is classified as *critically undercapitalized* if its ratio of tangible equity to total assets is equal to or less than 2 percent.

SOURCE: Spong (2000, p. 91).

Commercial Bank and Savings Institution Failures (January 2007–December 2011)

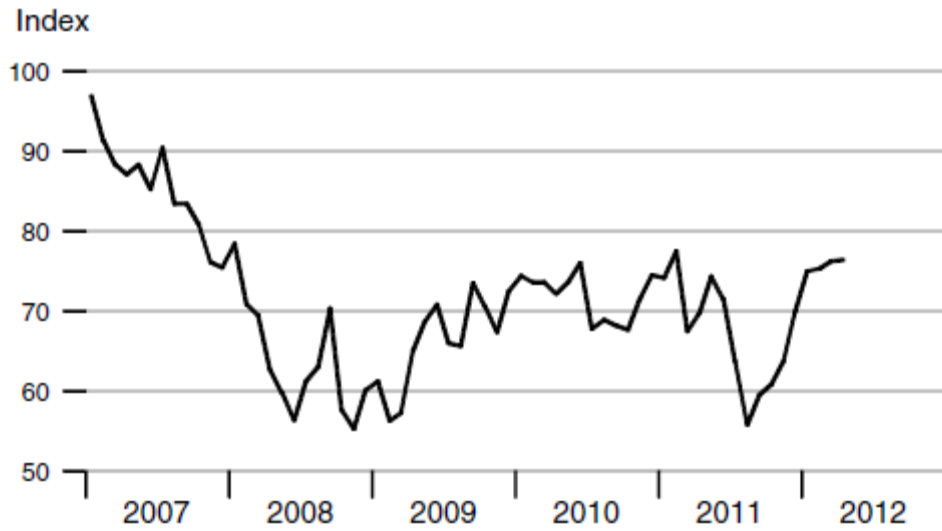


NOTE: Data are monthly.

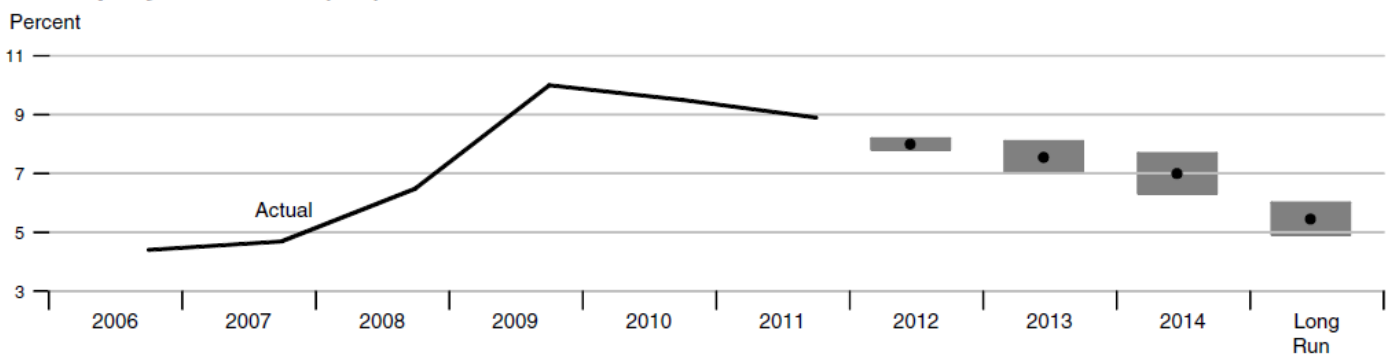
May 2, 2012

As of April 27, 2012

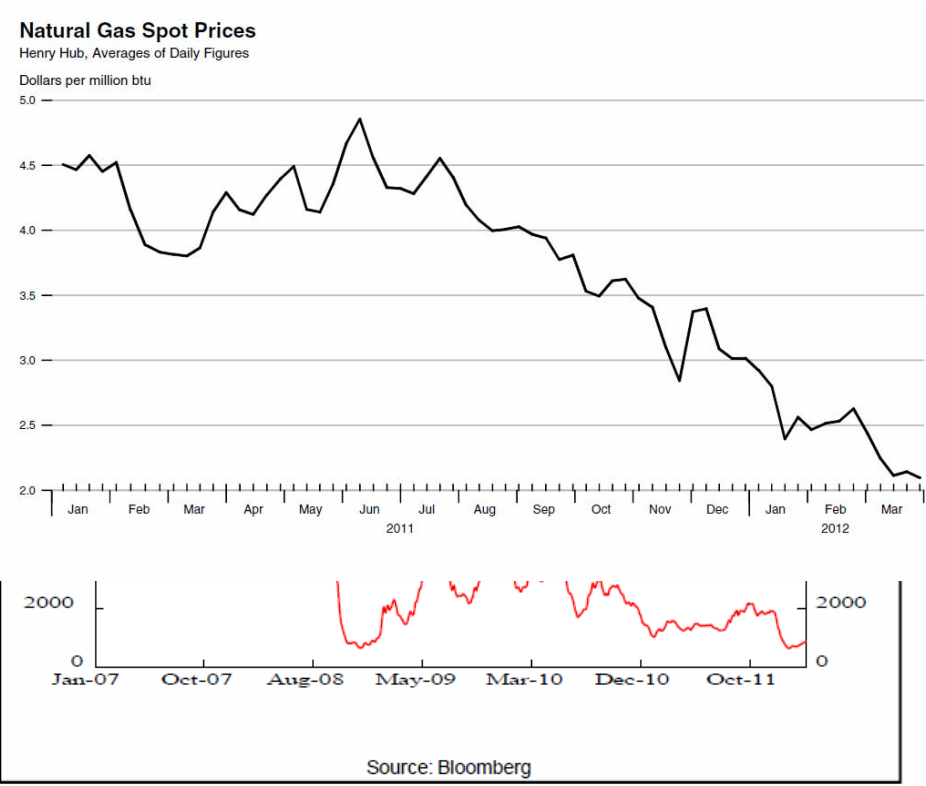
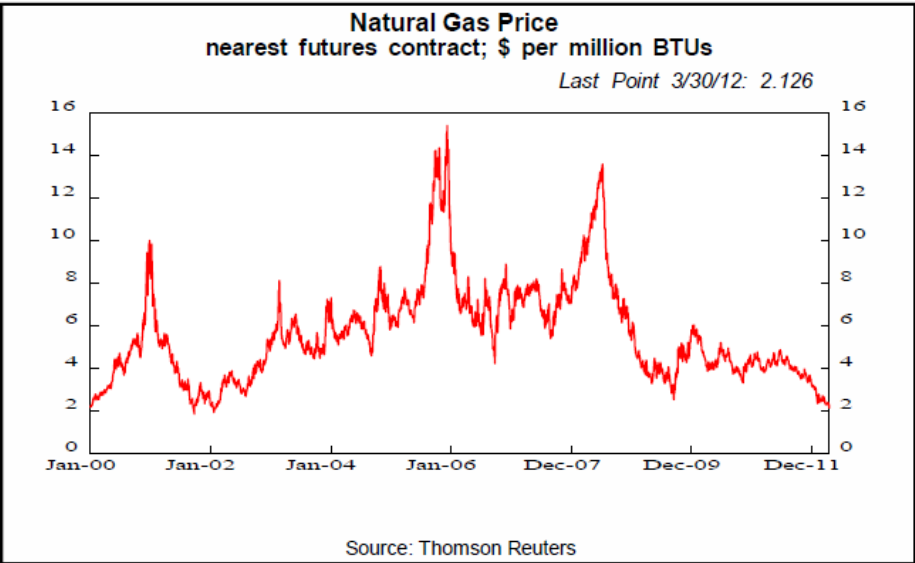
Consumer Sentiment (U. of Michigan)



Unemployment Rate (Q4)



March 30, 2012



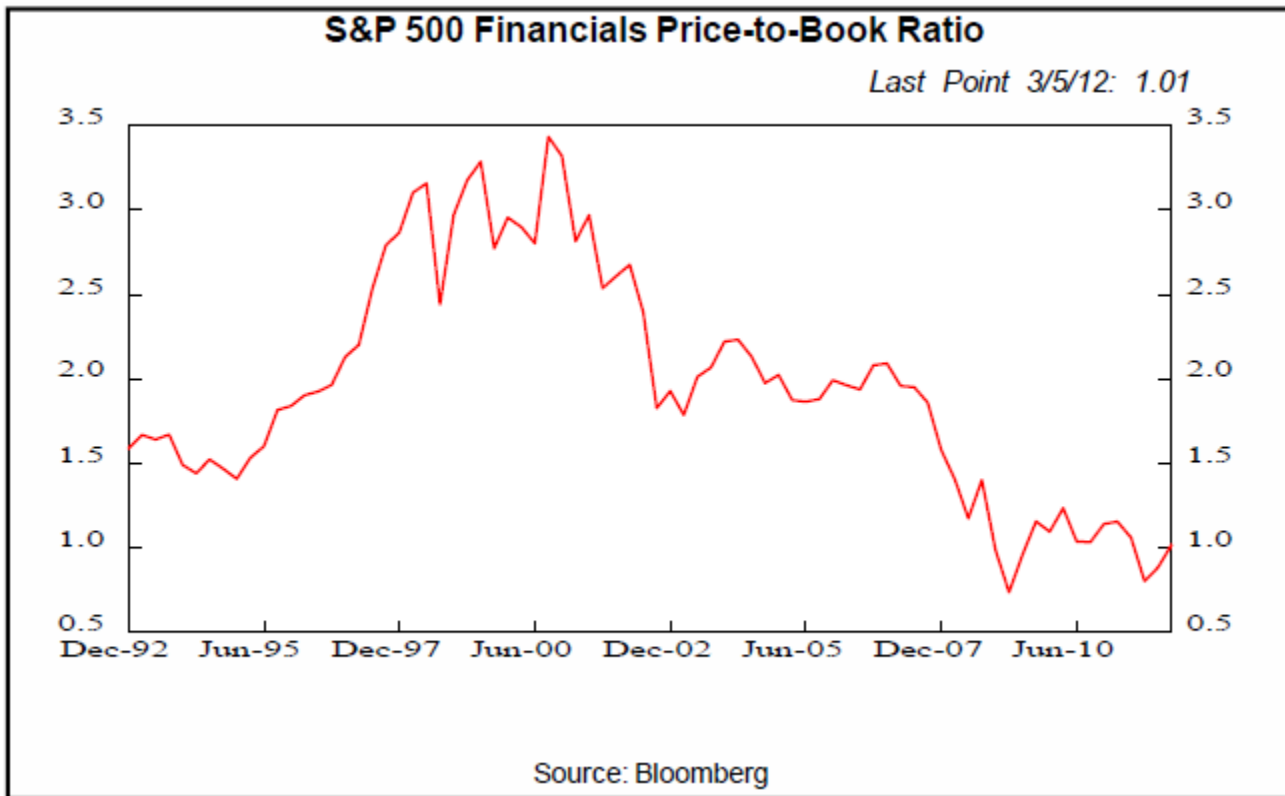
Interest Rates

Percent

		30-Day Comm. Paper	90-Day CDs	2-Year Interest Rate Swap	Corporate Aaa Bonds	Corporate Baa Bonds	Municipal Bonds	Federal Funds	3-Month Treasury Bill	2-Year Treasury Securities	5-Year Treasury Securities	10-Year Treasury Securities	30-Year Treasury Securities
Jan	6	0.08	0.49	0.72	3.87	5.28	3.83	0.05	0.02	0.26	0.88	1.99	3.02
	13	0.10	0.41	0.62	3.85	5.21	3.62	0.07	0.02	0.24	0.83	1.95	2.98
	20	0.09	0.36	0.58	3.83	5.20	3.60	0.09	0.04	0.24	0.85	1.96	3.00
	27	0.08	0.36	0.56	3.90	5.29	3.68	0.09	0.05	0.23	0.84	2.01	3.12
Feb	3	0.09	0.34	0.51	3.80	5.13	3.60	0.09	0.07	0.23	0.73	1.88	3.02
	10	0.11	0.31	0.53	3.89	5.17	3.70	0.11	0.09	0.26	0.81	1.99	3.13
	17	0.13	0.28	0.58	3.84	5.15	3.65	0.12	0.11	0.29	0.84	1.97	3.12
	24	0.12	0.29	0.60	3.85	5.15	3.69	0.09	0.09	0.31	0.89	2.01	3.15
Mar	2	0.13	0.29	0.56	3.82	5.08	3.72	0.09	0.09	0.30	0.86	1.97	3.09
	9	0.12	0.27	0.56	3.88	5.11	3.84	0.11	0.08	0.31	0.87	2.00	3.14
	16	0.13	0.29	0.61	4.05	5.28	3.95	0.12	0.09	0.36	1.06	2.21	3.34
	23	0.15	0.30	0.63	4.09	5.34	4.01	0.15	0.09	0.39	1.16	2.32	3.40
	30*	0.14	0.31	0.58	3.99	5.25	.	0.14	0.09	0.34	1.06	2.22	3.31

*Averages of rates available

March 26, 2012



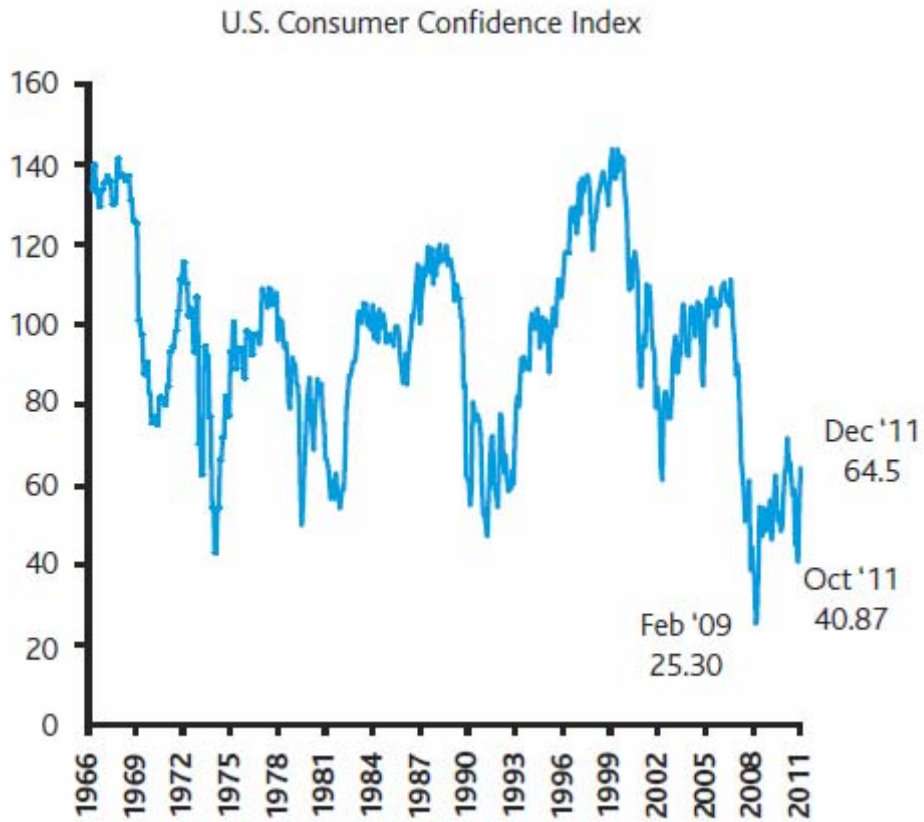
February 15, 2012



February 6, 2012

2011: Consumer Confidence is Improving but Still at Historical Lows

As of December 31, 2011



Source: FactSet and The Conference Board

January 6, 2012

CHART 32
Equity Values Are Good

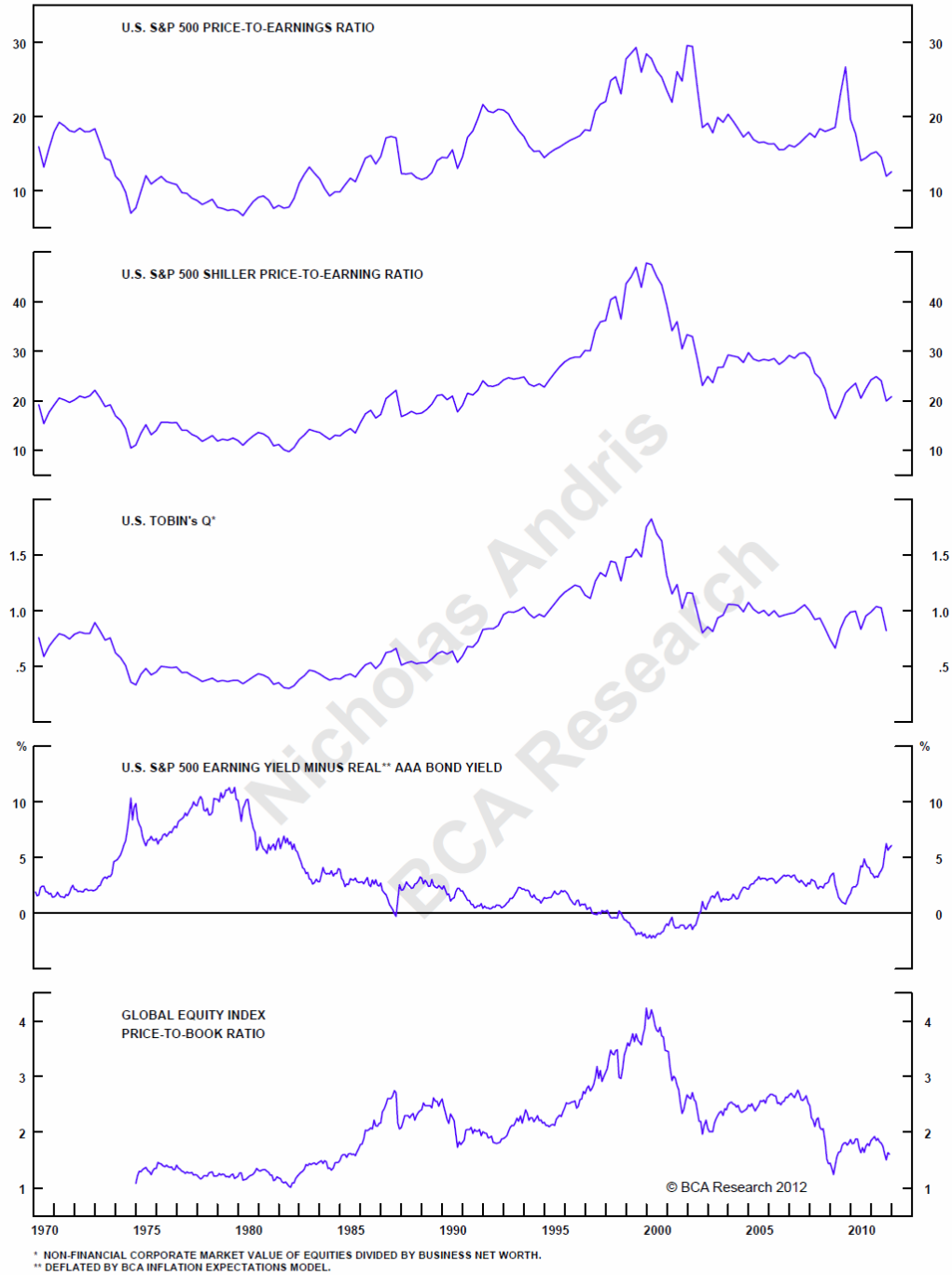
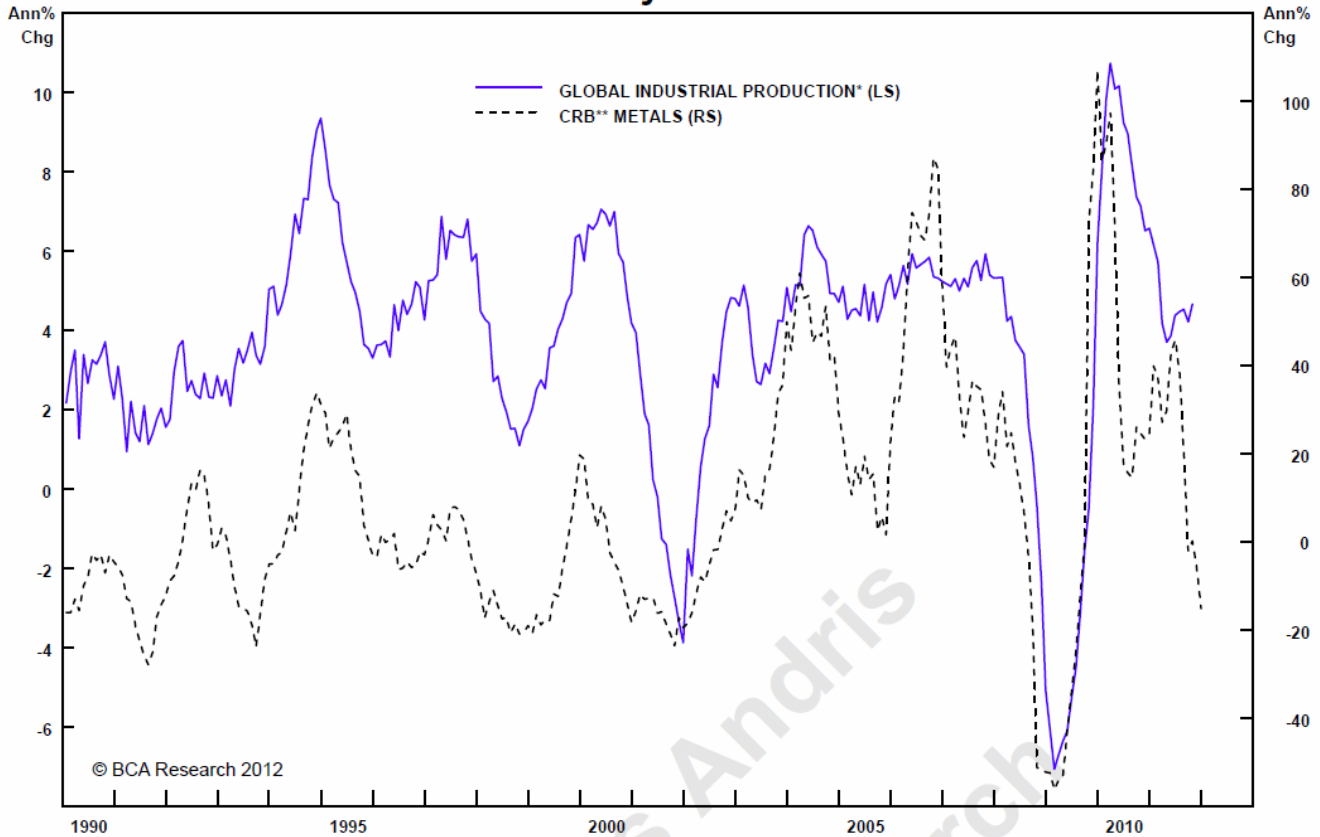


CHART 45

Metals Are Tied To The Economic Cycle



* INCLUDES 40 COUNTRIES.
 ** COMMODITY RESEARCH BUREAU, INC.

November 28, 2011 Selected Interest Rates as of 11/25/11 (Interesting if you look below at 8/8/11, you can compare rates at that time. Hit <Ctrl- F> and search term “Interest rates.”

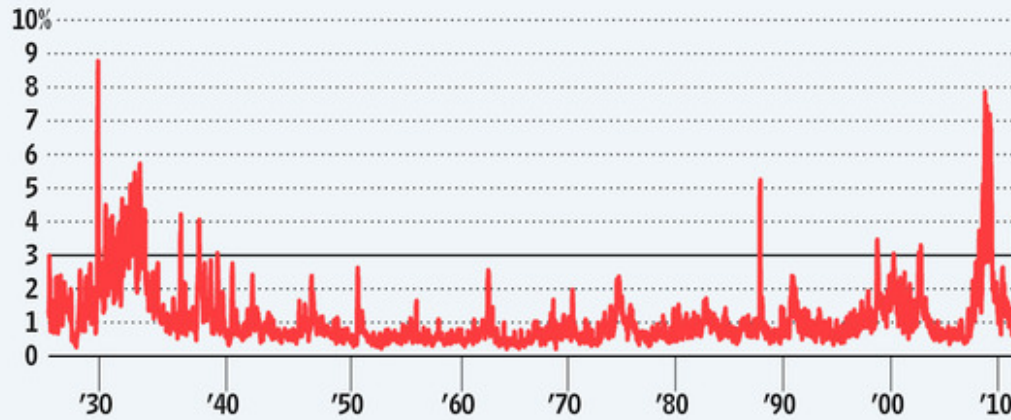
Interest Rates

Percent

		30-Day Comm. Paper	90-Day CDs	2-Year Interest Rate Swap	Corporate Aaa Bonds	Corporate Baa Bonds	Municipal Bonds	Federal Funds	3-Month Treasury Bill	2-Year Treasury Securities	5-Year Treasury Securities	10-Year Treasury Securities	30-Year Treasury Securities
Sep	2	0.09	0.31	0.50	4.34	5.40	4.14	0.09	0.02	0.20	0.93	2.17	3.52
	9	0.09	0.31	0.52	4.11	5.24	4.05	0.08	0.02	0.20	0.87	1.99	3.30
	16	0.09	0.32	0.52	4.14	5.33	4.07	0.09	0.01	0.20	0.91	2.03	3.32
	23	0.09	0.34	0.49	3.98	5.18	3.85	0.09	0.01	0.20	0.85	1.87	3.02
	30	0.07	0.35	0.54	4.06	5.31	3.93	0.08	0.02	0.26	0.96	1.97	3.02
Oct	7	0.08	0.36	0.63	3.91	5.26	4.14	0.07	0.01	0.27	0.96	1.93	2.88
	14	0.09	0.37	0.67	4.10	5.52	4.17	0.07	0.02	0.30	1.14	2.22	3.17
	21	0.09	0.37	0.64	3.98	5.41	4.08	0.07	0.03	0.28	1.07	2.20	3.18
	28	0.08	0.37	0.63	3.97	5.36	4.12	0.07	0.02	0.29	1.11	2.28	3.29
Nov	4	0.11	0.37	0.58	3.84	5.11	4.02	0.08	0.01	0.23	0.91	2.07	3.07
	11	0.11	0.39	0.62	3.88	5.12	4.02	0.08	0.01	0.25	0.90	2.05	3.08
	18	0.10	0.43	0.74	3.89	5.16	4.09	0.08	0.01	0.26	0.91	2.02	3.04
	25*	0.10	0.45	0.80	3.83	5.12	.	0.08	0.02	0.26	0.90	1.93	2.90

The Volatility of Bank Stocks, 1926 – Nov. 25, 2011

Historically, spikes above 3% indicate a looming crisis.



Note: Volatility is measured statistically as the standard deviation of the daily returns on an index of bank stocks computed using a 30-day rolling window.
Source: Center for Research in Security Prices (CRSP) database at the University of Chicago Booth School of Business.

November 23, 2011

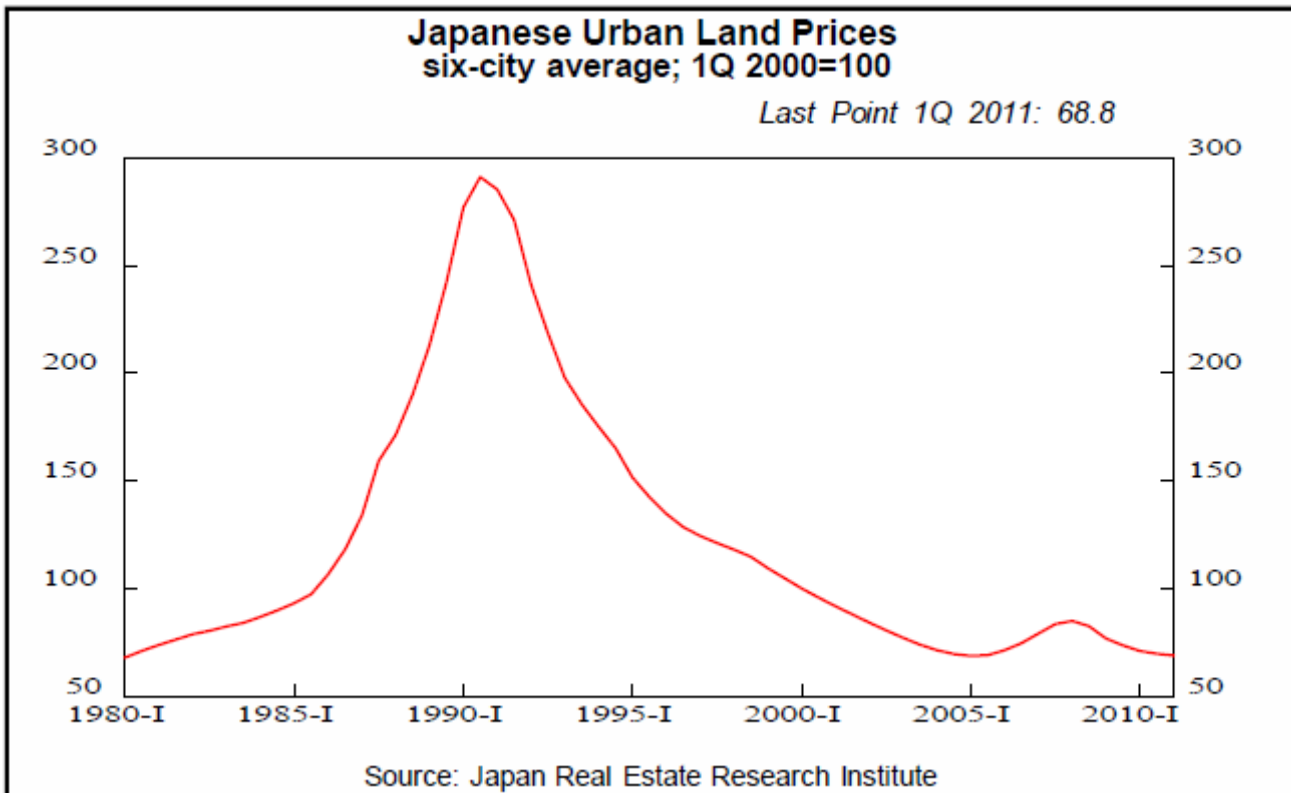


Exhibit 6

Historical Bear Market Cycles

Peak		Trough		% Change Peak to Trough	Length of Peak to Trough (months)	P/E Contraction Peak to Trough
Date	S&P 500	Date	S&P 500			
Jun 1948	17.06	Jun 1949	13.55	(20.6)%	12	(38.4)%
Dec 1952	26.59	Aug 1953	22.71	(14.6)	8	(18.3)
Jul 1956	49.74	Dec 1957	39.42	(20.7)	17	(15.3)
Jul 1959	60.62	Oct 1960	52.30	(13.7)	15	(10.3)
Dec 1961	72.64	Jun 1962	52.32	(28.0)	6	(33.8)
Jan 1966	94.06	Sep 1966	73.20	(22.2)	8	(26.7)
Nov 1968	108.37	Jun 1970	72.72	(32.9)	19	(31.2)
Dec 1972	119.12	Sep 1974	62.28	(47.7)	21	(63.2)
Dec 1976	107.46	Mar 1978	86.90	(19.1)	15	(26.6)
Nov 1980	140.52	Aug 1982	102.42	(27.1)	21	(24.7)
Aug 1987	336.77	Dec 1987	223.92	(33.5)	4	(41.2)
Jul 1990	368.95	Oct 1990	295.46	(19.9)	3	(20.1)
Jul 1998	1186.75	Aug 1998	957.28	(19.3)	1	(19.3)
Mar 2000	1527.46	Oct 2002	776.77	(49.1)	31	(14.9)
Oct 2007	1565.15	Mar 2009	676.53	(56.8)	17	(48.3)*
Average				(28.3)%	13.2	(28.8)%
Apr 2011	1363.61	Current(a)	1099.23	(19.4)		(21.8)

*Excluding financial sector write-downs

(a) As of October 3, 2011

Source: Standard & Poor's, UBS Investment Research, and Omega Advisors, Inc.

S&P 500 P/E and Inflation(a)

<u>CPI</u> <u>(Y/Y% change)</u>	<u>P/E Ratio</u>	
<1%	15.79x	
1% to 3%	17.21	
3% to 5%	15.59	
5% to 7%	12.81	
>7%	8.70	In this same period 10 year U.S. Government Bond, yielded an average of 6.67%
Average (1960 to 2009)	14.98x	
S&P 500(b)	11.6x	

(a) S&P 500 P/E on 12-month forward operating earnings

(b) As of October 6, 2011. 12-month forward operating earnings of \$100.0

Source: BLS, Standard & Poor's, Thomson Financial, and Omega Advisors, Inc.

Bear Market Valuation

Date of Economic Peak	Date of Economic Trough	Recession Duration (month)	S&P 500 P/E at Its Lowest in the Recession		10-Year Treasury Yld	LT Corp. Bond Yield	Earnings Yield less		
			Date	P/E			Treasury	Corp. Bond	Y/Y %ch in Core CPI
Apr 1960	Feb 1961	10	Apr 1960	16.04	4.28	4.61	1.96	1.63	4.24
Dec 1969	Nov 1970	11	Jun 1970	13.17	7.84	8.55	-0.25	-0.96	1.06
Nov 1973	Mar 1975	16	Sep 1974	6.97	8.04	9.44	6.30	4.90	4.12
Jan 1980	Jul 1980	6	Mar 1980	6.68	12.75	13.11	2.23	1.86	2.37
Jul 1981	Nov 1982	16	Feb 1982	7.36	14.43	15.53	-0.85	-1.95	4.38
Jul 1990	Mar 1991	8	Oct 1990	12.15	8.72	10.10	-0.49	-1.87	2.87
Mar 2001	Nov 2001	8	Mar 2001	21.30	4.89	7.23	-0.19	-2.54	2.08
Dec 2007	Jun 2009	18	Feb 2009	12.15	2.87	6.56	5.36	1.67	6.44
Average		12		12.0	8.0	9.4	1.76	0.34	3.45
			Current (10/6/11)	12.3	1.99	4.56	6.15	3.58	6.19

P/E and earnings yield are based on month-end S&P 500 price and 4-quarter trailing operating EPS. Treasury and corp. bond are average monthly yield.

Source: NBER, Standard & Poor's, Thomson/Reuters, FRB, Moody's, BLS, Bloomberg, and Omega Advisors, Inc.

*At historical average of earnings yield less investment-grade corp.-bond yield, S&P 500 is discounting 2012 EPS of about \$60.
At 2009 earnings yield less investment-grade corp.-bond yield, S&P 500 is discounting 2012 EPS of about \$72.*

August 8, 2011

Selected Interest Rates. S&P downgraded USA to AA+ at end of day on 8/5/11.

U.S. Financial Data

updated through
08/11/11

Interest Rates

Percent

	30-Day Comm. Paper	90-Day CDs	2-Year Interest Rate Swap	Corporate Aaa Bonds	Corporate Baa Bonds	Municipal Bonds	Federal Funds	3-Month Treasury Bill	2-Year Treasury Securities	5-Year Treasury Securities	10-Year Treasury Securities	30-Year Treasury Securities
May 20	0.10	0.20	0.73	4.93	5.76	4.55	0.09	0.05	0.55	1.83	3.15	4.28
27	0.11	0.20	0.70	4.95	5.74	4.52	0.10	0.06	0.52	1.77	3.10	4.26
Jun 3	0.12	0.22	0.64	4.95	5.70	4.51	0.10	0.05	0.44	1.63	3.01	4.21
10	0.10	0.20	0.61	4.97	5.73	4.49	0.10	0.05	0.41	1.58	3.00	4.22
17	0.12	0.20	0.63	4.98	5.73	4.49	0.09	0.05	0.40	1.58	2.99	4.21
24	0.11	0.23	0.63	4.95	5.72	4.46	0.10	0.02	0.37	1.52	2.96	4.19
Jul 1	0.08	0.27	0.70	5.11	5.88	4.59	0.08	0.02	0.46	1.67	3.11	4.36
8	0.10	0.26	0.68	5.07	5.84	4.65	0.08	0.02	0.44	1.67	3.12	4.35
15	0.09	0.21	0.64	4.89	5.71	4.51	0.07	0.02	0.37	1.48	2.94	4.21
22	0.08	0.23	0.65	4.91	5.75	4.46	0.06	0.03	0.39	1.50	2.97	4.26
29	0.10	0.25	0.62	4.84	5.72	4.47	0.06	0.07	0.41	1.50	2.97	4.25
Aug 5	0.14	0.30	0.56	4.43	5.38	4.19	0.12	0.04	0.32	1.23	2.62	3.88
12*	0.10	0.27	0.49	4.26	5.23	.	0.09	0.03	0.22	0.98	2.26	3.59

*Averages of rates available

CHART 30

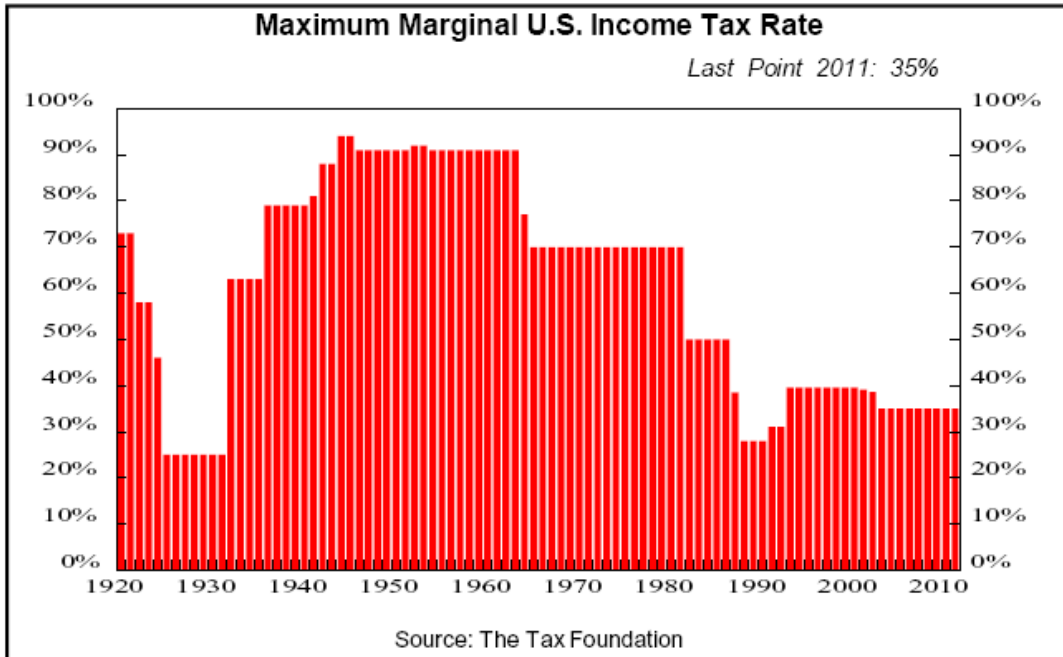


CHART 35

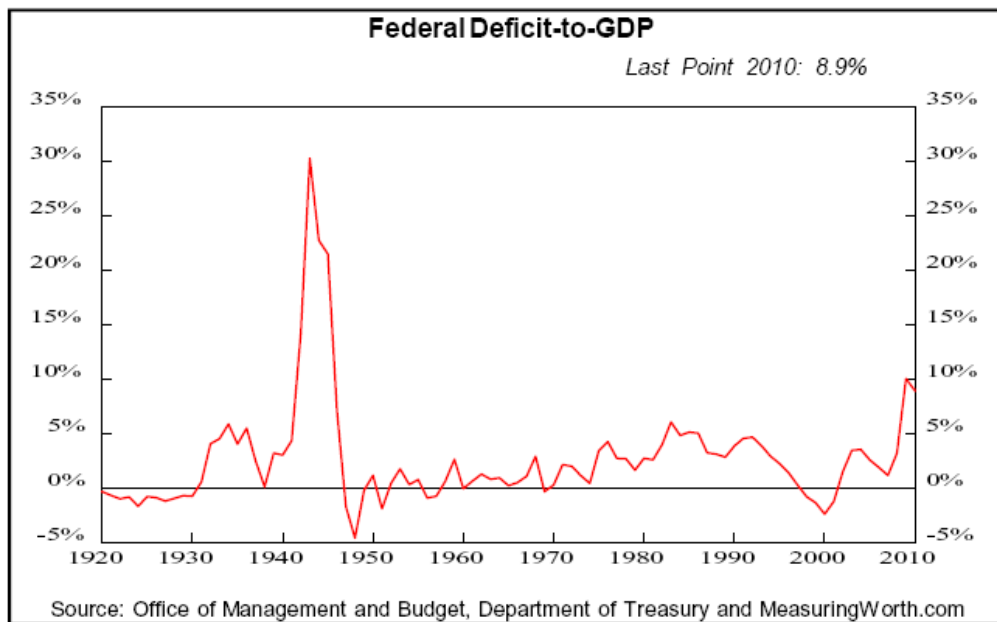
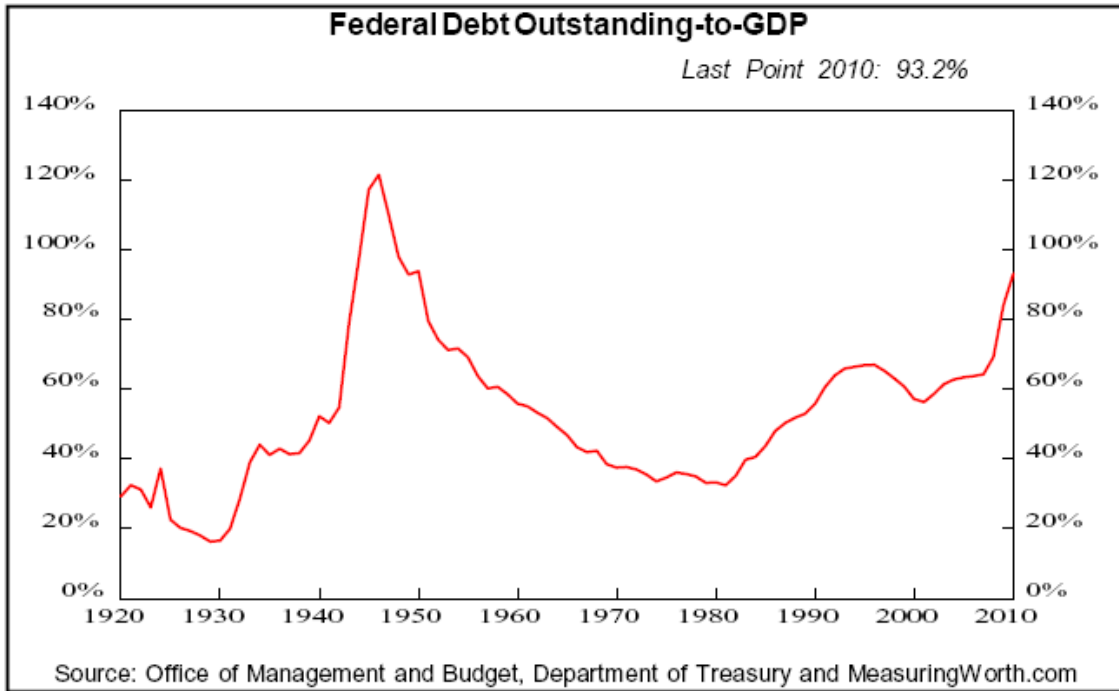
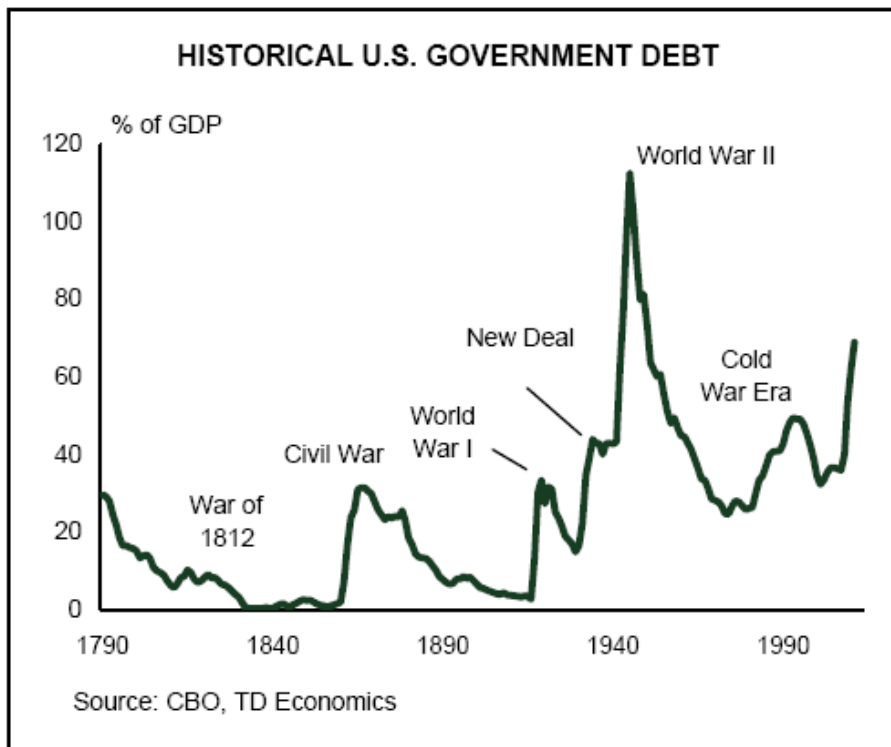


CHART 36



July 29, 2011



SOVEREIGN CREDIT RATINGS AND INTEREST RATES*

AAA Rated Countries

(10-Year Yields,%)

Australia (4.92)
 Austria (3.39)
 Canada (2.93)
 Denmark (2.99)
 Finland (3.13)
 France (3.25)
 Germany (2.76)
 Hong Kong (2.26)
 Luxembourg (3.29)
 Netherlands (3.14)
 Norway (3.24)
 Singapore (2.10)
 Sweden (2.75)
 Switzerland (1.45)
 United Kingdom (3.04)
 USA (3.00)

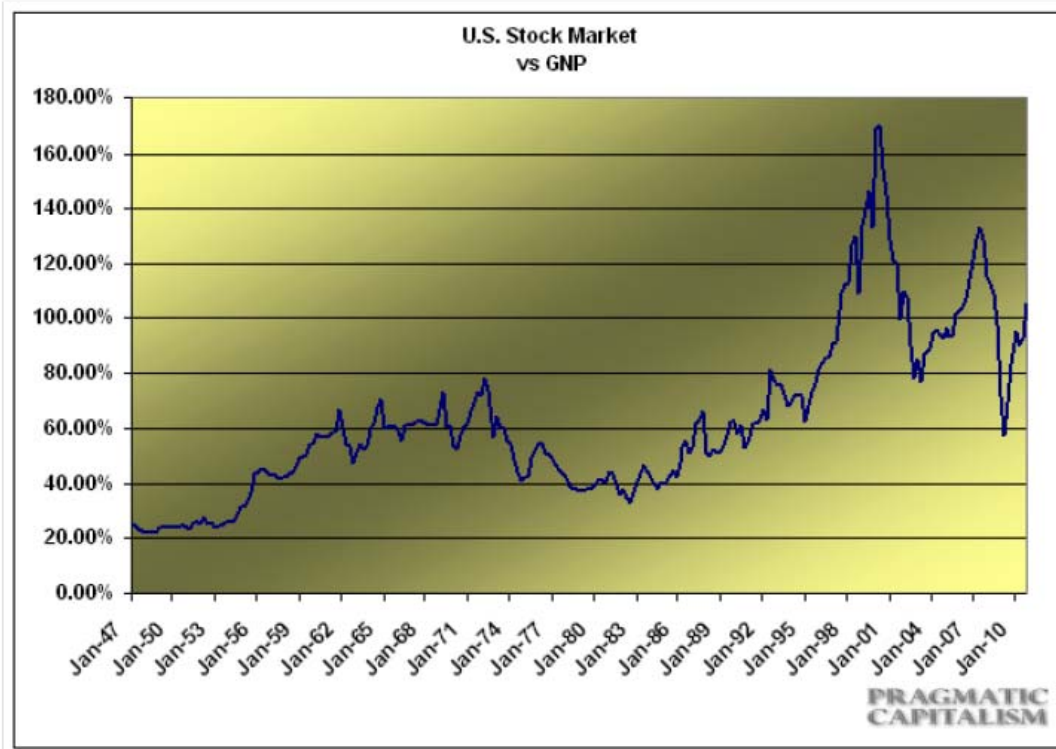
AA Rated Countries

(10-Year Yields,%)

Abu Dhabi (3.84)
 Belgium (4.32)
 Chile (2.92)
 China (4.12)
 Israel (5.16)
 Japan (1.09)
 Qatar (3.95)
 Saudia Arabia (3.97)
 Spain (5.99)
 Slovenia (4.43)
 Taiwan (1.50)

*As of July 26, 2011. Source: Third Way, Standard & Poor's

June 29, 2011 Buffett Alleged GNP Indicator



Buffett elaborated on the index explaining that stocks were cheap when the ratio declines to 70%-80%:

SECULAR BULL & BEAR MARKETS PROFILE: 2010

Market Cycle		(#) Total Years	Market	P/E Ratio		Inflation		(#) Positive Years	(#) Negative Years	(%) Positive Years	(%) Negative Years	Max Pos. Yrs In Row	Max Neg. Yrs In Row	Avg Gain In Pos. Years	Avg Loss In Neg. Years	Change Begin To End
From	To			Beg.	End	Beg.	End									
1901	1920	20	BEAR	23	5	-2%	16%	9	11	45%	55%	2	3	30%	-17%	2%
1921	1928	8	BULL	5	22	-11%	-2%	7	1	88%	13%	5	1	24%	-3%	317%
1929	1932	4	BEAR	28	8	0%	-10%	0	4	0%	100%	0	4	n/a	-32%	-80%
1933	1936	4	BULL	11	19	-5%	1%	4	0	100%	0%	4	0	34%	n/a	200%
1937	1941	5	BEAR	18	12	4%	5%	1	4	20%	80%	1	3	28%	-16%	-38%
1942	1965	24	BULL	9	23	11%	2%	18	6	75%	25%	4	1	16%	-8%	774%
1966	1981	16	BEAR	21	8	3%	10%	9	7	56%	44%	3	2	13%	-15%	-10%
1982	1999	18	BULL	7	42	6%	2%	16	2	89%	11%	9	1	18%	-4%	1214%
2000	????		BEAR	42	3%			6	5	55%	45%	2	3	14%	-13%	1%
WEIGHTED AVERAGE BEAR (excluding 2000)										42%	58%	2.1	2.7	21%	-18%	-14%
WEIGHTED AVERAGE BULL										83%	17%	6.8	0.9	16%	-5%	810%

Notes: The Index and returns reflect the Dow Jones Industrial Average at year-end from Dow Jones & Company. The P/E ratio is based upon the S&P 500 as developed and presented by Robert Shiller (Yale; Irrational Exuberance). Bull & Bear Market classifications are based upon Crestmont's assessment of cycles using peak and trough P/E ratios, inflation trends, and other analysis. The presentation does not include dividends, taxes, inflation adjustments, or transaction costs.

RETURN PATTERN (Red = down year; Green = up year; #% = annual change in the index; starting and ending DJIA index is presented on the ends of the rows)																										
1901-1920: BEAR	71	-9%	0%	-24%	42%	38%	-2%	-38%	47%	15%	-18%	0%	8%	-10%	-31%	82%	-4%	-22%	11%	30%	-33%	72				
P/E Ratio		23	22	18	16	19	19	13	13	15	14	14	14	12	11	11	12	9	6	7	5					
CPI: Inflation		-2%	6%	1%	0%	1%	3%	6%	-4%	8%	4%	-8%	7%	3%	1%	1%	8%	17%	18%	15%	16%					
1921-1928: BULL	72	13%	22%	-3%	26%	30%	0%	29%	-8%													300				
P/E Ratio		5	8	8	8	10	12	16	22																	
CPI: Inflation		-11%	-6%	2%	0%	2%	1%	-2%	-2%																	
1929-1932: BEAR	300	-17%	-34%	-53%	-23%																	60				
P/E Ratio		28	21	15	8																					
CPI: Inflation		0%	-2%	-9%	-10%																					
1933-1936: BULL	60	67%	4%	39%	25%																	180				
P/E Ratio		11	12	13	19																					
CPI: Inflation		-5%	3%	2%	1%																					
1937-1941: BEAR	180	-33%	28%	-3%	-13%	-15%																111				
P/E Ratio		18	14	15	15	12																				
CPI: Inflation		4%	-2%	-1%	1%	5%																				
1942-1965: BULL	111	8%	14%	12%	27%	-8%	2%	-2%	13%	18%	14%	8%	-4%	44%	21%	2%	-13%	34%	16%	-9%	19%	-11%	17%	15%	11%	969
P/E Ratio		9	11	11	13	14	11	11	10	11	12	12	12	14	18	18	16	15	16	17	20	19	20	23	23	
CPI: Inflation		11%	6%	2%	2%	8%	14%	8%	-1%	1%	8%	2%	1%	1%	0%	1%	3%	3%	1%	2%	1%	1%	1%	1%	2%	
1966-1981: BEAR	969	-19%	15%	4%	-15%	5%	6%	15%	-17%	-25%	38%	18%	-17%	-3%	4%	15%	-9%									875
P/E Ratio		21	22	21	19	15	17	18	16	11	10	12	10	9	9	9	8									
CPI: Inflation		3%	3%	4%	5%	6%	4%	3%	5%	11%	9%	6%	7%	8%	11%	13%	10%									
1982-1999: BULL	875	20%	20%	-4%	28%	23%	2%	12%	27%	-4%	20%	4%	14%	2%	33%	26%	23%	16%	25%							11497
P/E Ratio		7	10	9	11	13	16	14	17	16	18	20	21	20	23	26	31	35	42							
CPI: Inflation		5%	3%	4%	4%	2%	4%	4%	5%	5%	4%	3%	3%	3%	3%	2%	2%	2%								
2000-?????: BEAR	11497	-6%	-7%	-17%	25%	3%	-1%	16%	6%	-34%	19%	11%														
P/E Ratio		42	32	25	24	26	25	26	27	21	17	21														
CPI: Inflation		3%	3%	2%	2%	3%	3%	3%	3%	4%	0%	2%														

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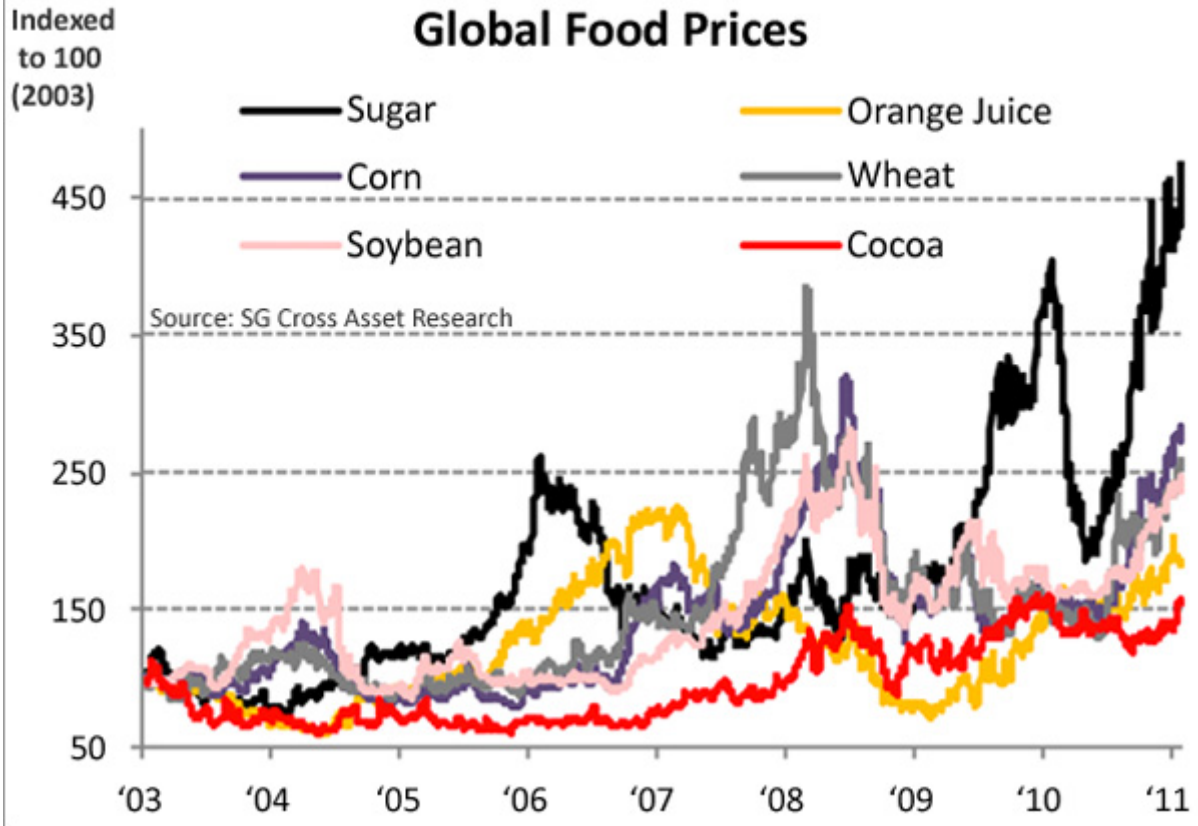


TABLE 1: BULL MARKET SELL-OFFS

United States: S&P 500

Bull Market		Correction	
Date	Total Increase	Date	Total Correction
1877-1906	206%	1903	-26%
1921-29	385%	1923	-15%
1932-37	279%	1933	-25%
1949-68	662%	1956-67	-11%
		1962	-21%
1970-73	57%	1971	-10%
1982-2000	1391%	1987	-33%
		1998	-19%
Average			-20%

Note: From 1877-1987, monthly averages of S&P 500 were used. From 1987 onwards, daily values were used.

Source: Haver Analytics, Robert Shiller, Gluskin Sheff

Slow Global Growth In Future Years Due To:

1. U.S. consumers shift from a 25-year borrowing-and-spending binge to a saving spree. This will retard growth abroad as American consumers curtail the imports of the goods and services many foreign nations depend on for economic growth.
2. Financial deleveraging, reversing the trend. It financed much global growth in recent years.
3. Low commodity prices, which will limit spending by commodity-producing lands.
4. Increased government regulation and involvement in major economies, which will stifle innovation and reduce efficiency.
5. Rising protectionism, which will slow, even eliminate, global growth.
6. Weak housing due to excess inventories and loss of investment appeal.
7. Deflation, which will curtail spending as buyers anticipate lower prices.

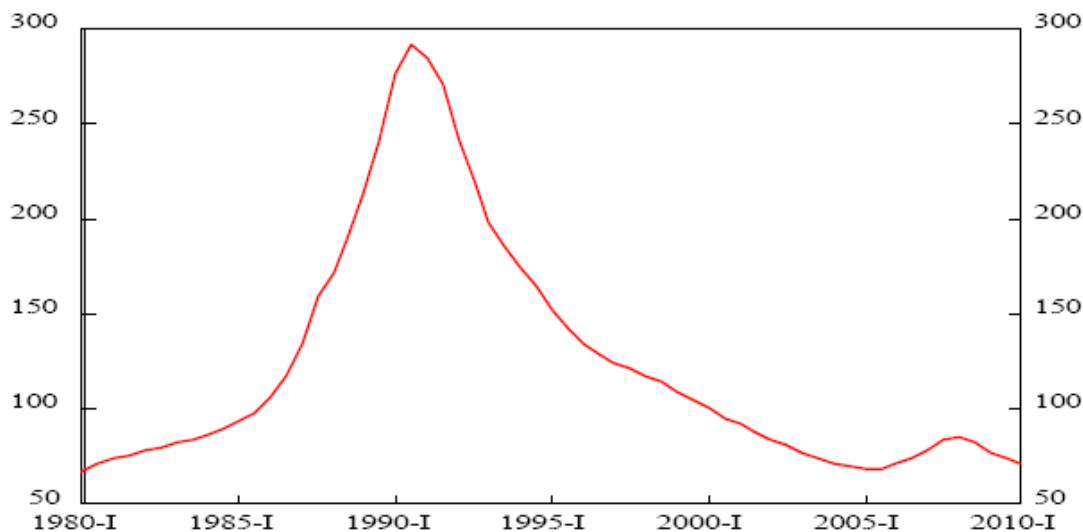
Source: A. Gary Shilling's Insight, June 2010.

Historic Inflation and Deflation			
Period	Military Engagement	No. of Yrs.	Annualized Wholesale Price Change
1749-1755	Peacetime	6	-0.50%
1756-1763	French-Indian War	8	2.27%
1764-1774	Peacetime	11	-0.35%
1775-1783	American Revolution	9	12.31%
1784-1811	Peacetime	28	-1.91%
1812-1815	War of 1812	4	7.78%
1816-1845	Peacetime	30	-2.36%
1846-1848	Mexican-American War	3	-0.40%
1849-1860	Peacetime	12	1.05%
1861-1865	Civil War	5	14.75%
1866-1916	Peacetime	51	-0.74%
1917-1918	World War I	2	23.92%
1919-1940	Peacetime	22	-2.31%
1941-1945	World War II	5	6.12%
1946-1992	Cold War	47	4.20%
1993-2000	Peacetime	8	1.43%
2001-2008	War on Terror	9	3.18%
		No. of Yrs.	Avg. Price Change
	Wartime:	92	5.77%
	Peacetime:	168	-1.16%
	Years Total:	260	1.29%

Source: A. Gary Shilling's Insight, June 2010.

Japanese Urban Land Prices six-city average; 1Q 2000=100

Last Point 1Q 2010: 70.9



Source: Japan Real Estate Research Institute

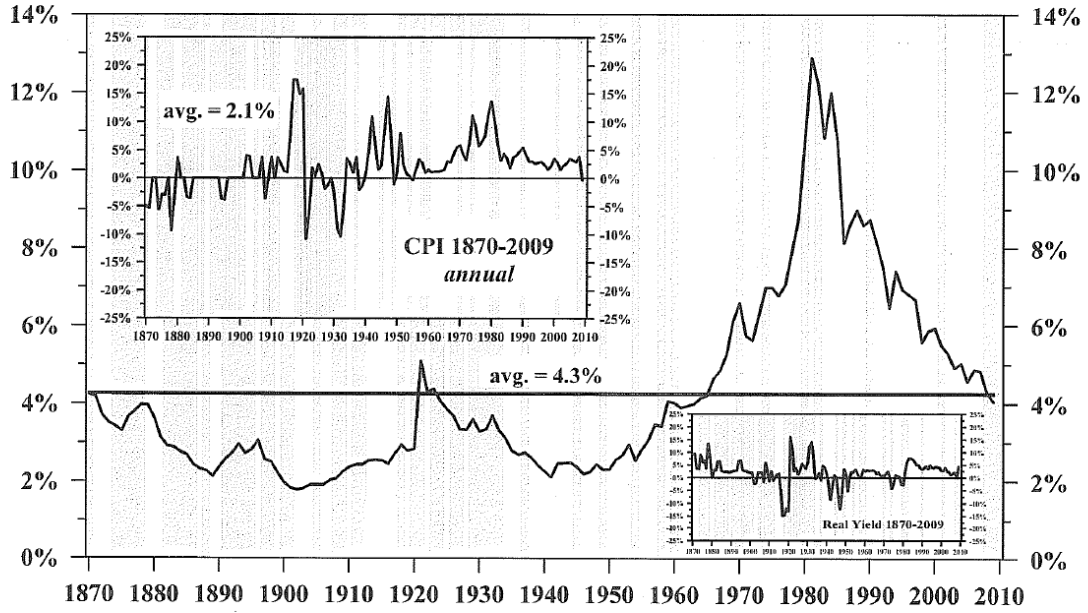
Compounded Annual Rates of Return *excluding war years*

	<i>Stocks</i>	<i>Bonds</i>	<i>Stocks less Bonds</i>	<i>S&P 500 Dividend Yield less Bonds</i>	<i>Capital Gains Differential</i>	<i>GDP Deflator</i>	<i>Beginning Period PE Ratio</i>	<i>Beginning Period Dividend Yield</i>	<i>Beginning Period Treasury Bond Yield</i>
	1.	2.	3.	4.	5.	6.	7.	8.	9.
1. 1871-2009	8.6%	5.1%	3.5%	-0.2%	3.7%	1.5%	11.7	5.5%	4.2%
2. 1900-2009	9.2%	5.1%	4.1%	-0.9%	5.0%	2.3%	12.8	4.2%	2.0%
3. 1926-2009	9.3%	5.5%	3.9%	-1.7%	5.6%	2.6%	10.1	5.2%	3.7%
4. 1871-1925	7.4%	4.5%	2.9%	2.2%	0.7%	-0.2%	11.7	5.5%	4.2%
5. 1946-2009	11.0%	5.7%	5.3%	-2.6%	7.9%	3.5%	18.7	4.0%	2.2%
6. 1871-1945	6.6%	4.6%	2.0%	2.2%	-0.2%	-0.6%	11.7	5.5%	4.2%

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Standard and Poor's, A Half Century of Returns on Stocks and Bonds by Fisher and Lorie, History of Interest Rates; Homer & Sylla, N.S. Balke & R.J. Gordon, C.D. Romer, Robert Shiller - Yale University, Peter L. Bernstein Inc., HIMCO.

Long Term Treasury Rate 1870-2009

annual



Sources: Federal Reserve Board, Homer & Sylla. Through 2009.

The Following table was presented in David Rosenberg’s “Breakfast With Dave September 23, 2010

INVESTMENT STRATEGY IN A DEFLATIONARY ENVIRONMENT

1. Focus on safe yield: High-quality corporates (non-cyclical, high cash reserves, minimal refinancing needs). Corporate balance sheets are in very good shape.
2. Equities: focus on reliable dividend growth/yield; preferred shares (“income” orientation). Starbucks just caught on to the importance of paying out a dividend.
3. Whether it be credit or equities, focus on companies with low debt/equity ratios and high liquid asset ratios – balance sheet quality is even more important than usual. Avoid highly leveraged companies.
4. Even hard assets that provide an income stream work well in a deflationary environment (ie, oil and gas royalties, REITs, etc...).
5. Focus on sectors or companies with these micro characteristics: low fixed costs, high variable cost, high barriers to entry/some sort of oligopolistic features, a relatively high level of demand inelasticity (utilities, staples, health care – these sectors are also unloved and under owned by institutional portfolio managers).
6. Alternative assets: allocate significant portion of asset mix to strategies that are not reliant on rising equity markets and where volatility can be used to advantage.
7. Precious metals: A hedge against the reflationary policies aimed at defusing deflationary risks – money printing, rolling currency depreciations, heightened trade frictions, and government procurement policies.

September 24, 2010

Existing home sales rose 7.6% MoM. Yet, second worst production since 1997. Rosenberg thinks it is a real bad sign, and thinks momentum is gaining on the downside.

CHART 4: EXISTING HOME SALES STILL NEAR THE LOWS

United States: Total Existing Home Sales

(seasonally adjusted at an annual rate, million units)



Source: Haver Analytics, Gluskin Sheff

CHART 5: ELEVATED SUPPLY DOES NOT BODE WELL FOR PRICES

United States: Months' Supply of Total Existing Homes

(months)



Source: Haver Analytics, Gluskin Sheff

Robert Shillers P/E data set. This data set consists of monthly stock price, dividends, and earnings data and the consumer price index (to allow conversion to real values), all starting January 1871.

