

A Year Later, Opportunity Remains

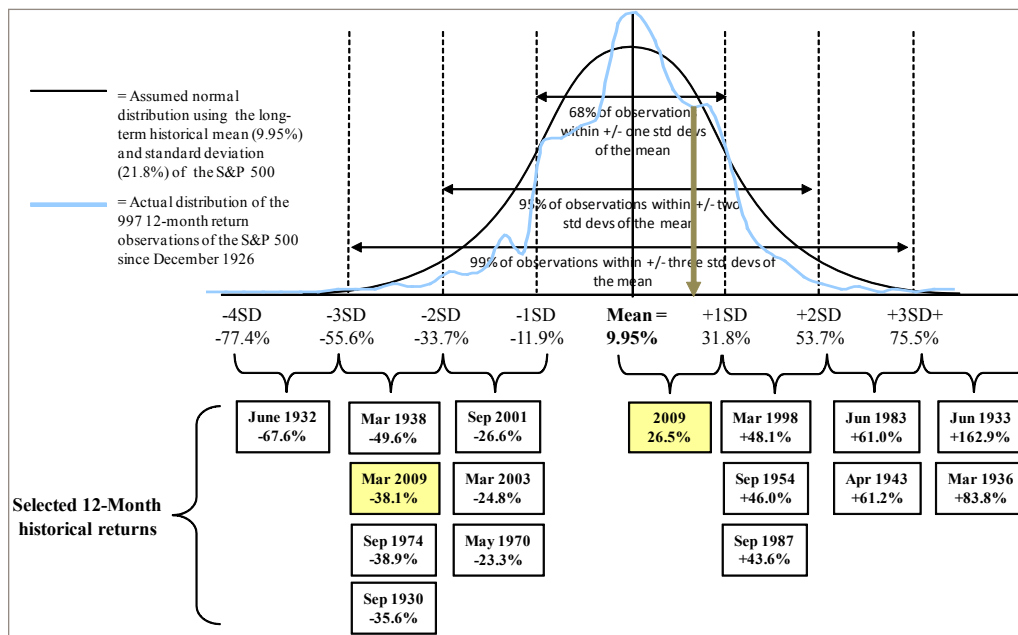
ASSET MANAGEMENT SERVICES | MARCH 2010

Astute investors understand that markets experience periods of both underperformance and outperformance, a phenomenon witnessed all too clearly in 2008 and 2009. Over the long run, however, we expect the power of diversification to help our financial plan weather the storms and remain well-positioned for the sunnier days.

Clearly, the financial crisis of 2008-2009 tested our collective resolve. From peak to trough, the S&P 500 index dropped over 50 percent before bouncing back 62 percent from its March 2009 lows, as of February 24, 2010. That's right; it has already been about a year since the S&P 500 bottomed on March 9.

While this bumpy period recovered with impressive results, there is still progress to be made. While past performance is not a guarantee of future results, history tells us the average recovery period following a bear market is about three years¹. With unemployment still high, housing at a standstill and hiring slow, we believe another two years seems reasonable.

The Normal Distribution



Past performance is not a guarantee of future results. Indices are not available for direct investment. Source: Ibbotson Associates, Inc., Bloomberg. As of 12/31/2009.

What are the chances that we could plunge back into recession? While no one can predict the future, a recent report by the New York Federal Reserve² estimates that a year from now, the probability of a recession will be its lowest level since 1983. In fact, there is currently less than a one percent chance of the country dipping back into recession, according to the report. The reading peaked during the

current market cycle in March 2008, when the chance of a recession was over 40 percent.

Source¹: USA Today, "Stock market recovery likely will be years in the making," 2009.

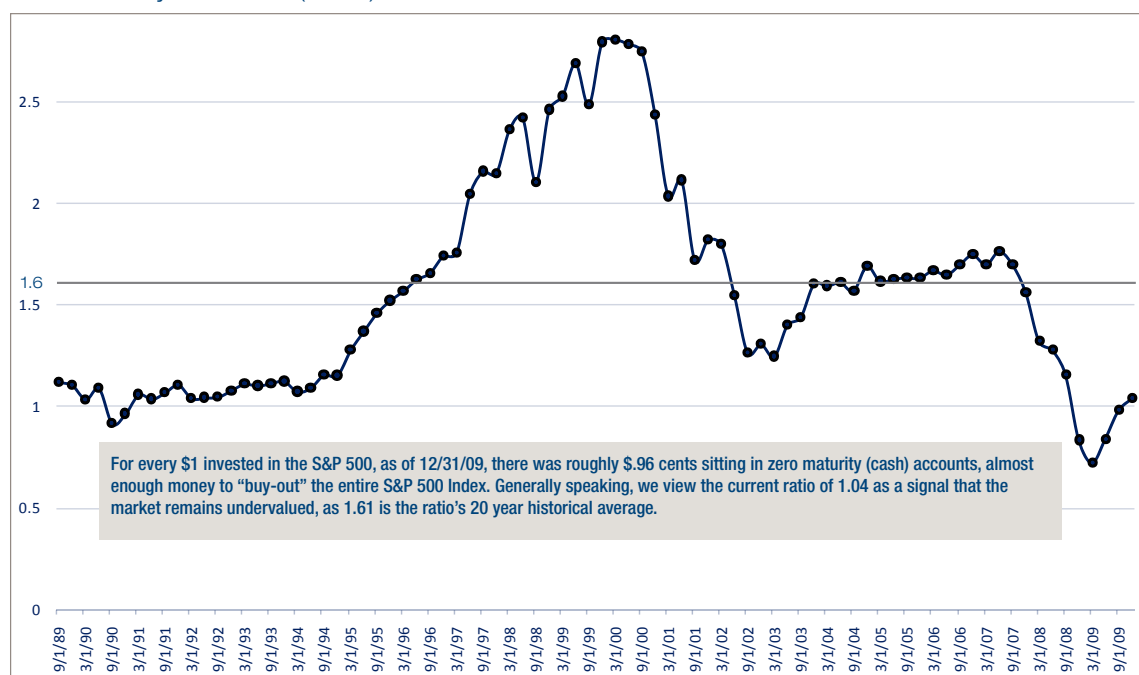
Source²: New York Federal Reserve, "Probability of US Recession Predicted by Treasury Spread," 2010.

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Given those odds, and in consideration of the recent positive momentum, it may be the right time to put your investible cash to work.

At the end of 2009, there was almost as much money sitting in cash-equivalent accounts as there was invested in the S&P 500, for a ratio of about 1.04:1. The 20 year historical average ratio of money invested in the S&P 500 to cash accounts through the end of 2009 is 1.6:1, meaning that generally speaking, we view the current ratio as a signal that the market remains undervalued. Clients with investments in cash run the risk of actually eroding their capital if they don't at least keep up with inflation through an appropriate asset allocation strategy.

Cash on the Sidelines³ - The Ratio of: Total Market Capitalization (S&P 500) to Money Held in Zero Maturity Accounts (MZM)



Source³: Standard & Poor's as of 12/31/2009. This is not an offer or solicitation to buy or sell securities. Investors should seek counsel before investing any money in the capital markets.

At Raymond James, we view financial planning as an ongoing, disciplined process. Working with your financial advisor, it is important to keep your eye on your long-term goals to limit the chances of making emotion-driven decisions regarding your investments.

To review your long-term financial goals and determine whether your current portfolio maximizes the potential to achieve them, contact your financial advisor today.

Please remember that all investments carry some level of risk, including the potential loss of principal invested. This information should not be construed as a recommendation of any security. Diversification and asset allocation does not ensure a profit or predict against a loss. Indices are not available for direct investment. Any investor who attempts to mimic the performance of an index would incur fees and expenses which would reduce returns. Standard Deviation is a risk statistic used to measure the amount of volatility of the return observations around the asset's/ portfolio's average return. The smaller the standard deviation, the tighter the band of return observations around the average return resulting in less historical return variability. Standard & Poor's 500 Measures changes in stock market conditions based on the average performance of 500 widely held common stocks. It is a market-weighted index calculated on a total return basis with dividend reinvested. The S&P 500 represents approximately 75% of the investable US equity market.

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