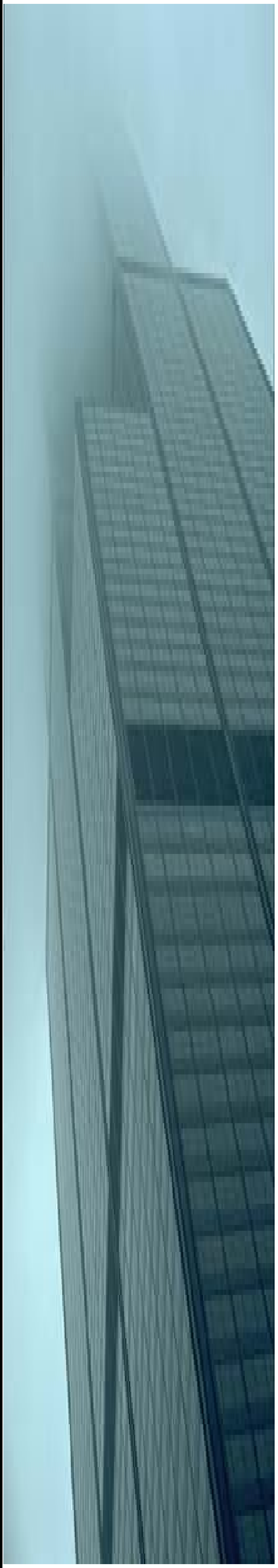
INTERMARKET FORECASTING

TOP DOWN INSIGHTS…BOTTOM LINE RESULTS



TRACK RECORD 2008

IFI delivered a moderately successful performance in 2008, correctly forecasting 48% of our 126 assets and outperforming 83% of our Wall Street peers on U.S. equities and 67% of them on U.S. interest rates. In a year of almost unprecedented financial crisis, as well-known financial institutions failed while equities, junk bonds and commodities plunged amid rising T-Bond prices, nevertheless three of our four model investment portfolios outperformed their benchmarks. We were right to recommend significant portfolio shares (50%) in T-Bills and T-Bonds, and only a 20% share in U.S. stocks. As in past years, our forecasts focused on providing *practical* benefits to investors; all our forecasted variables are *investable assets*. Below we summarize the key results for 2008:

- Global equities plunged 42.2% in 2008 and the S&P 500 itself lost 40.7%. There was really nowhere to hide, as even the least-worst-performing region (Asia-Pacific/Japan) lost 40.3%. Of specific markets, Japan did "best," by losing 34.8%. IFI's <u>Global</u> equity portfolio underperformed the benchmark (a passive, equal-weighted portfolio for all regions) by just 0.8% points (Table Three, page 4).

- Our <u>U.S.-Specific</u> portfolio (see Table Three, page 4) suffered a relatively mild, negative total return of -8.8%, and thus materially *out-performed* (by +11.3% points) the severe -20.1% loss on the usual benchmark portfolio (comprised of 65% stocks, 25% bonds and 10% T-Bills). We advised a mere 20% portfolio share in U.S. stocks but a large, 50% share in safe T-Bills, T-Notes and T-Bonds. All U.S. equity indexes plunged in 2008, and we predicted drops in 60% of them (Table Seven, page 8). Hyper-safe Treasury securities far-out-performed corporate bonds; only 7% of our <u>U.S.-Specific</u> portfolio was held in corporate bonds (and none at all in junk bonds, which plunged by 31.1%).

- Our model portfolio for <u>U.S. Equity Styles</u> returned -38.2% in 2008, but still *out-performed* the passive benchmark of equal-weighted styles by 1.5% points (Table Three, page 4). We correctly foresaw that growth stocks would beat value stocks, and thus advised the biggest portfolio share (55%) in large-cap growth stocks (which fell 39.9%) and the lowest share (just 5%) in large-cap value stocks (which fell 46.4%). Size-wise, we didn't expect large-caps to perform less-badly than small-cap stocks, as they did. On performance in <u>sector rotation</u> (Table Four, page 5) we correctly forecasted 80% of relative sector results versus the S&P 500, and our six predicted *leaders* (including *Health Care* and *Consumer Staples*) outperformed the S&P 500 by +6.3% points, while our four predicted *laggards* (including the *Financials* and *Consumer Discretionary*) underperformed by -3.2% points.

- IFI's model portfolio for <u>U.S.-Specific Fixed Income</u> (Table Three, page 4) returned 15.2%, or 22.2% points in excess of the -7.1% return suffered on the benchmark fixed-income portfolio (the LB Aggregate Government-Corporate Bond Index), primarily because we advised material overweightings in safe T-Notes and T-Bonds (80% of the portfolio) and investment-grade corporate bonds (20% of the portfolio), while advising managers to avoid junk bonds (which plunged 31.1%), convertible bonds (which dropped 36.9%) and inflation-indexed T-Notes (which lost 1.4%).

- We correctly anticipated the appreciation of the <u>U.S. dollar</u> against most major currencies in 2008 (a 64% success rate overall), but not its steep drop (-18.8%) against the Japanese yen (see Table Five, page 6). Most <u>commodity prices</u> plunged in 2008, but only after sky-rocketing in the first half; we accurately foresaw the big price plunges in crude oil and in the base metals (Table Five, page 6).

- In 2008 we outperformed 83% of our peers (Wall Street strategists) on the S&P 500's bearish performance and 67% of them on changes in Fed policy and in U.S. T-Bond yields. Only the perennially-bearish Richard Bernstein of Merrill Lynch & Co. (now defunct) surpassed us in all four areas of measurement (see Table Nine, pages 10-11), so we're obliged to tip our hat to him in 2008.

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IFI's Market-Based Forecasting Method

IFI uses signals from forward-looking market prices to forecast the risk-adjusted returns on currencies, commodities, stocks, bonds and bills globally. We eschew the use of economic data, which are backward-looking, perpetually revised and inherently incapable of capturing the incentives faced by market-makers with their own capital (or clients' capital) at risk.

IFI's mission is to uncover quantitative, predictive relationships consistent with classical economics,[1] market-clearing price theory, market efficiency and history. The finance-investment literature upon which we most rely is Arbitrage Pricing Theory (APT).[2] The evidence shows that market prices reflect the combined, forward-looking wisdom of the most astute market-makers. As such, prices contain implicit forecasts. We "decode" the messages in prices by performing rigorous regression analyses on price data, scrupulously retaining only statistically significant explanatory factors. We employ no "gurus" and reject any resort to subjective "hunches," anecdotes or pop psychology.[3]

IFI's time horizon is *one-year*, primarily because here we find the most dependable forecasting success. In contrast, we have found that very short-term (or very long-term) forecasts are notoriously unreliable. Optimal use of IFI's forecasting system can be made by investors who deploy *tactical asset allocation* (with a year-ahead horizon), as opposed to those engaged in day trading, "market timing" or strategic asset allocation (multi-year horizons).

The empirical record demonstrates that an investor's initial asset allocation explains more than 80% of the returns he ultimately achieves. Specific security selection and timing account for less than 20% of returns, while execution costs determine the balance. Thus in forecasting asset-class performance, IFI focuses on that element of investment decision-making which most influences ultimate, bottom-line results.

Today many practical means exist to profit by IFI's forecasts and asset-allocation recommendations; for many years, in fact, it's been unnecessary (if not dangerous) for an investor to play "stock picker" (or bond picker); it's far safer (and wiser) to profit from forecasts of broad asset classes and sub-classes.[4] Roughly 95% of the forecasted variables in this report represent investable assets.

At IFI we don't waste time forecasting GDP, CPI, non-farm payrolls and sundry other "measures" provided by Washington, since no one can actually invest in such statistics and since they offer nothing but rear-view mirror hindsight about the market-based activity investors really care about.

For easy reference we provide a numbered list of the 48 research reports that we issued throughout 2007 (pages 12-13). The primary report upon which "Track Record 2007" is based is our "Outlook 2007," published a year ago. As market conditions (and thus the price signals we rely upon) changed during the year we altered our year-ahead forecasts; but to be strictly objective, "for the record" in 2007 we focus primarily on our year-ahead outlook from a year ago. We also include *all* of the variables we forecasted – the good, the bad and the ugly.[5]

[1] See "Saysian Economics," *The Capitalist Advisor*, InterMarket Forecasting, Inc., December 31, 2003 (Part I) and January 5, 2004 (Part II).

[2] See "Arbitrage Pricing Theory," http://en.wikipedia.org/wiki/Arbitrage_pricing_theory. For technical articles on APT, see http://www.kellogg.northwestern.edu/faculty/korajczy/htm/aptlist.htm. For APT articles focused on investment applications and forecasting using the yield curve (or "the term structure of interest rates), see the work of Campbell Harvey, finance professor at Duke University (http://www.duke.edu/~charvey/research.htm).

[3] For more on our basic forecasting framework, see "Introducing the 'Policy Mix Index,'" *The Capitalist Advisor*, InterMarket Forecasting, Inc., April 23, 2002 and "The Basics of Inter-Market Forecasting," *The Capitalist Advisor*, InterMarket Forecasting, Inc., September 7, 2004. Also see the "Methodology" tab on our web site (www.intermarketforecasting.com).

[4] See "Exchange-Traded Funds: Asset Allocation Made Easy," *Investment Focus*, InterMarket Forecasting, Inc., April 11, 2003. Today there are roughly 600 exchange-traded funds tracking all sorts of asset classes..

[5] It is common for forecasters to "cherry-pick" their track records and to emphasize only successes; IFI prides itself on presenting the *full* record, not a *partial* one. Of course, there's nothing magical about measuring forecasting success solely in the year after December; it is merely a convention in the field. The reports that we issued *during* the year can be consulted for our subsequent forecasting success.

Table One

Forecasted Variables in 2008 & IFI's Success Rates

Table	Page	Category	# of Variables	Correctly Forecasted Number	Correctly Forecasted Percent
Four	5	Returns on IFI Model Portfolios	4	3	75%
Five	6	U.S. Dollar & Commodities	43	19	44%
Six	7	U.S. Money Market & Fixed Income	15	9	60%
Seven	8	U.S. Equities & Sector Rotation	33	18	55%
Eight	9	International Markets	31	11	35%
		Total	**126**	**60**	**48%**

Table	Page	IFI vs 9 Other Strategists Category	# of Competitors	Out-Performed by IFI Number	Out-Performed by IFI Percent
Nine	10	S&P 500 Price Index	12	10	83%
Nine	10	S&P 500 Earnings per Share	12	4	33%
Nine	11	10-Year U.S. Treasury Bond Yield	12	5	42%
Nine	11	Overnight Fed Funds Rate	12	11	92%
		Average		**7.5**	**63%**

Table Two

IFI's Asset Allocation Recommendations in 2008

Allocations Assume a One-year Time Horizon

	Dec 2007	Jan 2008	Feb 2008	Mar 2008	Apr 2008	May 2008	Jun 2008	Jul 2008	Aug 2008	Sep 2008	Oct 2008	Nov 2008	Dec 2008
Global Investor													
U.S.	42%	40%	38%	40%	42%	44%	45%	48%	51%	56%	58%	61%	62%
Europe/U.K.	41%	41%	40%	39%	38%	36%	35%	31%	26%	23%	22%	20%	19%
Asia-Pacific/Japan	6%	7%	11%	12%	11%	13%	13%	16%	18%	17%	18%	18%	18%
Latin America/Canada	11%	12%	11%	9%	9%	7%	7%	5%	5%	3%	2%	1%	1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
U.S.-Specific Investor													
Equities	20%	20%	25%	25%	40%	55%	65%	70%	75%	75%	80%	85%	85%
Bonds (U.S. & Corporate)	40%	35%	20%	15%	5%	5%	5%	5%	5%	15%	10%	5%	5%
Bills (T-Bills & Aaa C/P)	15%	15%	20%	20%	15%	10%	10%	5%	5%	5%	5%	5%	5%
Commodities/Gold	25%	30%	35%	40%	40%	30%	20%	20%	15%	5%	5%	5%	5%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
U.S.-Specific Fixed Income Investor													
U.S. Treasury Bonds	30%	25%	15%	15%	5%	0%	0%	0%	0%	0%	0%	0%	0%
Inflation-Indexed Bonds	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Medium-Term Treasury Notes	50%	55%	50%	50%	45%	30%	25%	20%	15%	5%	5%	0%	0%
Investment-Grade Corp. Bonds	20%	20%	30%	30%	35%	35%	30%	30%	30%	35%	30%	35%	30%
Non-Invest.-Grade Corp. Bonds	0%	0%	5%	5%	15%	35%	45%	50%	55%	60%	65%	65%	70%
Convertible Corp. Bonds	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
U.S.-Specific Equity Investor													
Large-Cap Growth	55%	55%	50%	45%	40%	35%	30%	25%	20%	15%	10%	10%	5%
Large-Cap Value	5%	5%	10%	15%	20%	25%	30%	35%	40%	40%	40%	40%	45%
Small-Cap Growth	35%	35%	30%	25%	20%	15%	10%	5%	5%	5%	5%	5%	5%
Small-Cap Value	5%	5%	10%	15%	20%	25%	30%	35%	35%	40%	45%	45%	45%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Table Three

Returns on Major Asset Classes & IFI's Model Portfolios

*Based on IFI's Advised Portfolio Weightings at the Beginning of 2008**

Global Equity Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Weighted Avg.
Europe/U.K.	41%	-43.61%	-17.88%
U.S. (S&P 500)	40%	-40.67%	-16.27%
Asia-Pacific/Japan	7%	-40.30%	-2.82%
Latin America/Canada	12%	-49.66%	-5.96%
		Sum of Weighted-Average Returns:	**-42.93%**
		Benchmark Return:	**-42.16%**
		Excess/Deficient Return:	**-0.77% pts**

U.S.-Specific Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Weighted Avg.
Bonds (Treas. & Corp.) (1)	35%	15.20%	5.32%
Commodities/Gold (2)	30%	-22.55%	-6.77%
Equities (3)	20%	-38.23%	-7.65%
3-Month Treasury Bills	15%	1.78%	0.27%
		Sum of Weighted-Average Returns:	**-8.82%**
		Benchmark Return:	**-20.10%**
		Excess/Deficient Return:	**11.28% pts**

1. See weighted-average calculation from "U.S.-Specific Bond Investor"
2. Half from the Goldman Sachs Commodity Index and half from gold
3. See weighted-average calculation from "U.S.-Specific Equity Investor"

U.S.-Specific Bond Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Weighted Avg.
Medium-Term T-Notes	55%	12.55%	6.90%
Long-Term Treasury Bonds	25%	24.62%	6.16%
Inv.-Grade Corp. Bonds	20%	10.72%	2.14%
Non-Inv.-Grade Corp. Bonds	0%	-31.10%	0.00%
Inflation-Indexed T-Bonds	0%	-1.35%	0.00%
		Sum of Weighted-Average Returns:	**15.20%**
		Benchmark Return:	**-7.06%**
		Excess/Deficient Return:	**22.26% pts**

U.S.-Specific Equity Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Weighted Avg.
Large-Cap Growth (in S&P 500)	55%	-39.89%	-21.94%
Small-Cap Growth (in S&P 600)	35%	-35.52%	-12.43%
Small-Cap Value (in S&P 600)	5%	-30.74%	-1.54%
Large-Cap Value (in S&P 500)	5%	-46.44%	-2.32%
		Sum of Weighted-Average Returns:	**-38.23%**
		Benchmark Return:	**-39.74%**
		Excess/Deficient Return:	**1.50% pts**

* "Outlook 2008," January 15, 2008.

Table Four

The Absolute & Relative Price Performance of S&P 500 Sectors in 2008

*Organized by IFI's Advised Weightings at the Beginning of 2008**

Changes in averages: Dec. 2007 to Dec. 2008

	Advised		Absolute Price Change		Versus S&P 500:	
Sectors Over-Weighted	**Weighting**	**Over/Under**	**Simple**	**Weighted**	**Simple**	**Weighted**
Health Care	18%	7%pts	-29.3 %	-5.3%	11.4%pts	2.1%pts
Energy	18	5	-35.9	-6.5	4.8	0.9
Consumer Staples	14	4	-20.3	-2.8	20.4	2.9
Telecomm. Services	7	3	-34.6	-2.4	6.1	0.4
Utilities	6	2	-34.2	-2.1	6.5	0.4
Materials	4	1	-47.8	-1.9	-7.1	-0.3
			-33.7%	**-21.0%**	**7.0%pts**	**6.3%pts**
			(average)	(sum)	(average)	(sum)
S&P 500			**-40.7%**			
Sectors Under-Weighted						
Financials	14%	-4%pts	-59.3%	-8.3%	-18.6%pts	-2.6% pts
Industrials	7	-5	-43.6	-3.1	-2.9	-0.2
Information Technology	11	-6	-44.8	-4.9	-4.1	-0.5
Consumer Discretionary	1	-7	-38.0	-0.4	2.7	0.0
			-46.4%	**-16.7%**	**-5.7%pts**	**-3.2%pts**
			(average)	(sum)	(average)	(sum)
Spread: Overweighted vs Underweighted Sectors: All Sectors:			**12.7%**	**-4.3%**	**12.7%**	**9.5%**
				-37.6%		**3.1%**

* "Outlook 2008," January 15, 2008.

Table Five

THE U.S. DOLLAR & COMMODITIES

IFI Forecasts versus Actual Results, Dec. 2007 to Dec. 2008

	% Changes in 2008		Directionally
U.S. Dollar in Foreign Exchange	**Forecasted**	**Actual**	**Correct?**
in Euro	2.7%	7.8%	yes
in JapaneseYen	2.2%	-18.8%	no
in Swiss Franc	1.7%	0.2%	yes
in British Pound	0.8%	35.7%	yes
in Canadian Dollar	-3.2%	23.1%	no
in Australian Dollar	-1.9%	29.8%	no
in Mexican Peso	3.3%	23.7%	yes
in Brazilian Real	5.0%	34.2%	yes

	% Changes in 2008		Directionally
Broad Commodity Indexes	**Forecasted**	**Actual**	**Correct?**
CRB Index: Spot Prices (All Commodities)	2.0%	-28.1%	no
CRB Index: Futures Prices (All Commodities)	1.8%	-26.0%	no
CRB Index: Precious Metals	8.4%	-7.0%	no
CRB Index: Base Metals	-6.1%	-46.3%	yes
CRB Index: Energy Products	4.7%	-39.5%	no
CRB Index: Agricultural Goods	3.1%	-24.9%	No
Goldman Sachs Commodity Index (Spot)	3.6%	-47.1%	no

	% Changes in 2008		Directionally
Specific Commodities	**Forecasted**	**Actual**	**Correct?**
Aluminum	-8.3%	-37.2%	yes
Coal	8.1%	22.2%	yes
Cocoa	-1.1%	19.9%	no
Coffee	-1.7%	-16.3%	yes
Copper	-7.1%	-53.0%	yes
Corn	2.8%	-13.4%	no
Cotton	5.8%	-29.6%	no
Crude Oil	-1.3%	-51.5%	yes
Electricity	11.7%	-14.6%	no
Gasoline	5.4%	-56.3%	no
Gold	11.6%	1.9%	yes
Heating Oil	2.0%	-43.1%	no
Lead	-17.5%	-62.9%	yes
Lean Hogs	-2.5%	5.0%	no
Live Cattle	3.2%	-10.3%	no
Natural Gas	5.5%	-19.2%	no
Nickel	-6.8%	-61.3%	yes
Oats	8.2%	-27.1%	no
Orange Juice	-2.7%	-48.0%	yes
Palladium	8.8%	-49.2%	no
Platinum	7.6%	-41.5%	no
Silver	5.7%	-26.6%	no
Soybeans	11.1%	-23.5%	no
Steel	-1.2%	73.0%	no
Sugar	9.5%	51.4%	yes
Tin	-1.7%	-32.1%	yes
Wheat	1.5%	-39.0%	no
Zinc	-0.3%	-52.4%	yes

Table Six

U.S. MONEY MARKET & FIXED INCOME

IFI Forecasts versus Actual Results, Dec. 2007 to Dec. 2008

	Yield Levels (averages in %)				Forecasted	Actual	
	Actual	Forecast	Forecast	Actual	Change in	Change in	Directionally
U.S. Treasury Yield Curve	Dec 07	Jun 08	Dec 08	Dec 08	2008 (bps)	2008 (bps)	Correct?
Fed Funds Rate	4.24	3.50	3.00	0.16	-124	-408	yes
3 mo. T-Bill Rate	3.07	2.91	2.71	0.03	-36	-304	yes
2 yr. T-Note Yield	3.12	3.17	3.27	0.82	15	-230	no
5 yr. T-Note Yield	3.49	3.31	3.68	1.52	19	-197	no
10 yr. T-Bond Yield	4.10	3.76	4.46	2.42	36	-168	no
30 yr. T-Bond Yield	4.52	4.23	4.80	2.87	28	-165	no
Forecasted vs. Actual Total Return on T-Bonds:					0.75%	24.62%	yes
Forecasted vs. Actual Relative Total Return, T-Bonds vs. T-Bills:					-2.15%	22.84%	no

	Yield Levels (averages in %)				Forecasted	Actual	
	Actual	Forecast	Forecast	Actual	Change in	Change in	Directionally
U.S. Corporate Bond Yields (%)	Dec 07	Jun 08	Dec 08	Dec 08	2008 (bps)	2008 (bps)	Correct?
Non-Investment Grade	9.40	10.55	10.80	21.82	140	1242	yes
Investment-Grade (Baa-rated)	6.65	7.18	7.64	8.46	99	181	yes
Investment-Grade (Aaa-rated)	5.49	5.70	6.30	5.08	81	-41	no
U.S. Corp. Yield Spreads to 10-yr T-Bond (bps)							
Non-Investment Grade	530	679	634	1940	104	1410	yes
Investment-Grade (Baa-rated)	255	342	318	604	63	349	yes
Investment-Grade (Aaa-rated)	139	194	184	266	45	127	yes

Table Seven

U.S. EQUITIES & SECTOR ROTATION

IFI Forecasts versus Actual Results, Dec. 2007 to Dec. 2008

	% Changes in 2008		Directionally
U.S. Equities and Style Bets	**Forecasted**	**Actual**	**Correct?**
DJIA 30	-1.2%	-35.9%	yes
NASDAQ Composite	-3.9%	-42.7%	yes
Large-Cap (S&P 500)	4.2%	-40.7%	no
Large-Cap Value (S&P 500/BARRA)	-3.1%	-42.8%	yes
Large-Cap Growth (S&P 500/BARRA)	6.3%	-37.6%	no
Large-Cap Value vs Large-Cap Growth (% pts)	-9.3%	-5.2%	yes
Super-Cap (S&P 100)	3.5%	-38.8%	no
Small-Cap (S&P 600)	-4.1%	-37.0%	yes
Small-Cap Value (S&P 600/BARRA)	-9.6%	-35.7%	yes
Small-Cap Growth (S&P 600/BARRA)	3.7%	-37.6%	no
Small-Cap Value vs Small-Cap Growth (% pts)	-13.4%	1.9%	no
Small-Cap (Russell 2000)	-5.1%	-39.3%	yes
Large-Cap vs. Small Cap (% pts)	9.3%	-1.4%	no

S&P 500 Sectors: Absolute Change (%)	**Forecasted**	**Actual**	**Directionally Correct?**
Consumer Discretionary	-8.8%	-38.0%	yes
Consumer Staples	10.6%	-20.3%	no
Energy	12.5%	-35.9%	no
Financials	2.8%	-59.3%	no
Health Care	15.9%	-29.3%	no
Industrials	-1.3%	-43.6%	yes
Information Technology	-4.8%	-44.8%	yes
Materials	6.4%	-47.8%	no
Telecommunications Services	8.1%	-34.6%	no
Utilities	7.6%	-34.2%	no

S&P 500 Sectors: Change versus S&P 500 (% pts)	**Forecasted**	**Actual**	**Directionally Correct?**
Consumer Discretionary	-13.0%	2.6%	no
Consumer Staples	6.4%	20.3%	yes
Energy	8.3%	4.7%	yes
Financials	-1.5%	-18.7%	yes
Health Care	11.6%	11.4%	yes
Industrials	-5.6%	-3.0%	yes
Information Technology	-9.0%	-4.1%	yes
Materials	2.1%	-7.1%	no
Telecommunications Services	3.9%	6.0%	yes
Utilities	3.4%	6.5%	yes

Table Eight

IINTERNATIONAL MARKETS

IFI Forecasts versus Actual Results, Dec. 2007 to Dec. 2008

	% Changes in 2008		Directionally
Foreign Currencies vs the U.S.$	**Forecasted**	**Actual**	**Correct?**
Euro	-2.6%	-7.2%	Table Five
JapaneseYen	-2.1%	23.2%	Table Five
Swiss Franc	-1.7%	0.0%	Table Five
British Pound	-0.8%	-26.3%	Table Five
Canadian Dollar	3.3%	-18.8%	Table Five
Australian Dollar	2.0%	-22.9%	Table Five
Mexican Peso	-3.2%	-19.2%	Table Five
Brazilian Real	-4.8%	-25.5%	Table Five
Foreign Government Bond Yields	**Changes in bps**		
Germany	39	-116	no
Japan	29	-31	no
Switzerland	27	-96	no
Britain	39	-107	no
Canada	35	-109	no
Australia	52	-199	no
Mexico	109	15	yes
Brazil	86	20	yes
Foreign Equities: Broad [ETF Symbols]	**Changes in %**		
EAFE [EFA]	4.0%	-46.8%	no
Asia-Pacific ex-Japan [ADRA]	-6.1%	-47.8%	yes
Europe ex-Britain [IEV]	12.4%	-47.8%	no
Americas ex-Canada [ILF]	5.8%	-51.2%	no
Foreign Equities: Asia-Pacific [ETF Symbols]	**Changes in %**		
Australia [EWA]	-8.4%	-56.8%	yes
Hong Kong [EWH]	-4.2%	-53.5%	yes
Japan [ITF]	-11.4%	-34.8%	yes
Malaysia [EWM]	-2.6%	-44.1%	yes
Singapore [EWS]	-3.2%	-51.0%	yes
South Korea [EWY]	-7.4%	-59.8%	yes
Taiwan [EWT]	-10.9%	-50.8%	yes
Foreign Equities: Europe [ETF Symbols]	**Changes in %**		
Austria [EWO]	14.4%	-66.1%	no
Britain [EWU]	6.1%	-49.2%	no
France [EWQ]	15.1%	-48.3%	no
Germany [EWG]	19.1%	-50.1%	no
Italy [EWI]	11.4%	-47.4%	no
Netherlands [EWN]	14.8%	-53.0%	no
Spain [EWP]	6.1%	-45.5%	no
Sweden [EWD]	-0.3%	-52.9%	yes
Switzerland [EWL]	18.3%	-35.7%	no
Foreign Equities: Americas [ETF Symbols]	**Changes in %**		
Canada [EWC]	7.5%	-48.5%	no
Brazil [EWZ]	6.7%	-59.4%	no
Mexico [EWW]	4.9%	-44.9%	no

Table Nine

IFI's Forecasts for 2008 Compared to Wall Street Strategists

Source: "Outlook 2008," Barron's, December 17, 2007, p.32

	S&P 500 Price Index			
Forecaster/Firm	**Actual Dec. 2007**	**Forecasted Dec. 2008**	**Forecasted % Change**	**Actual % Change**
Francois Trahan/ISI Group		1,750	18.3%	
David Bianco/UBS Securities		1,700	14.9%	
Jonathan Golub/Bear Stearns		1,700	14.9%	
Abby Joseph Cohen/Goldman Sachs		1,675	13.3%	
Tobias Levkovich/Citigroup		1,675	13.3%	
Jonathan Morton/Credit Suisse		1,650	11.6%	
Larry Adam/Deutsche Bank		1,640	10.9%	
Ian Scott/Lehman Brothers		1,630	10.2%	
Thomas McManus/BofA Securities		1,625	9.9%	
Thomas Lee/J.P. Morgan		1,590	7.5%	
Richard Salsman/InterMarket Forecasting		**1,542**	**4.3%**	
Richard Bernstein/Merrill Lynch		1,525	3.1%	
Abhijit Chakrabortii/Morgan Stanley		1,525	3.1%	
S&P 500 Price Index (actual)	**1,479**	**878**		**-40.7%**

	S&P 500 Earnings per share			
Forecaster/Firm	**Actual Dec. 2007**	**Forecasted Dec. 2008**	**Forecasted % Change**	**Actual % Change**
Jonathan Golub/Bear Stearns		86.7	12%	
David Bianco/UBS Securities		84.8	10%	
Larry Adam/Deutsche Bank		84.0	9%	
Thomas Lee/J.P. Morgan		83.7	9%	
Richard Salsman/InterMarket Forecasting		**83.3**	**8%**	
Francois Trahan/ISI Group		82.5	7%	
Abby Joseph Cohen/Goldman Sachs		81.4	6%	
Thomas McManus/BofA Securities		81.3	5%	
Jonathan Morton/Credit Suisse		81.3	5%	
Tobias Levkovich/Citigroup		81.1	5%	
Abhijit Chakrabortii/Morgan Stanley		79.4	3%	
Ian Scott/Lehman Brothers		73.2	-5%	
Richard Bernstein/Merrill Lynch		71.5	-7%	
S&P 500 EPS (actual - Full Year)	**66.2**	**25.4**		**-61.6%**

Table Nine, Part II

IFI's Forecasts for 2008 Compared to Wall Street Strategists

Source: "Outlook 2008," Barron's, December 17, 2007, p.32

	10-Year U.S. Treasury Bond Yield			
Forecaster/Firm	**Actual Dec. 2007**	**Forecasted Dec. 2008**	**Forecasted Change (bps)**	**Actual Change (bps)**
Thomas McManus/BofA Securities		5.00%	90	
Thomas Lee/J.P. Morgan		5.00%	90	
Jonathan Golub/Bear Stearns		5.00%	90	
Larry Adam/Deutsche Bank		4.75%	65	
Abhijit Chakrabortii/Morgan Stanley		4.50%	40	
Richard Salsman/InterMarket Forecasting		**4.46%**	**36**	
Tobias Levkovich/Citigroup		4.40%	30	
Jonathan Morton/Credit Suisse		4.25%	15	
Ian Scott/Lehman Brothers		4.20%	10	
Francois Trahan/ISI Group		4.00%	-10	
David Bianco/UBS Securities		4.00%	-10	
Abby Joseph Cohen/Goldman Sachs		4.00%	-10	
Richard Bernstein/Merrill Lynch		3.70%	-40	
10-Year U.S. Treasury Bond Yield (actual)	**4.10%**	**2.42%**		**-168**

	Overnight Federal Funds Rate			
Forecaster/Firm	**Actual Dec. 2007**	**Forecasted Dec. 2008**	**Forecasted Change (bps)**	**Actual Change (bps)**
Jonathan Golub/Bear Stearns		4.75%	50	
Thomas Lee/J.P. Morgan		4.50%	25	
Abhijit Chakrabortii/Morgan Stanley		3.75%	-50	
David Bianco/UBS Securities		3.50%	-75	
Tobias Levkovich/Citigroup		3.50%	-75	
Jonathan Morton/Credit Suisse		3.50%	-75	
Francois Trahan/ISI Group		3.50%	-75	
Ian Scott/Lehman Brothers		3.25%	-100	
Larry Adam/Deutsche Bank		3.00%	-125	
Abby Joseph Cohen/Goldman Sachs		3.00%	-125	
Thomas McManus/BofA Securities		3.00%	-125	
Richard Salsman/InterMarket Forecasting		**3.00%**	**-125**	
Richard Bernstein/Merrill Lynch		2.50%	-175	
Overnight Federal Funds Rate (actual)	**4.24%**	**0.16%**		**-408**

Appendix

IFI Research Reports in 2008

1. "The Manufacturing and Profit Recessions," *Investor Alert*, January 7, 2008.
2. **"Outlook 2008," January 15, 2008.**
3. "Equity Bulls in Panic Mode," *Investor Alert*, January 28, 2008.
4. "The Stimulus Myth," *The Capitalist Advisor*, January 31, 2008.
5. "Track Record 2007," February 8, 2008.
6. "The Bond Insurance Bust," *Investor Alert*, February 15, 2008.
7. "The Policy Mix Index: Washington Now Consumes $3 Trillion a Year," *The Capitalist Advisor*, February 22, 2008.
8. ***The InterMarket Forecaster*, February 29, 2008.**
9. "Asset Returns Amid Stagflation," *Investment Focus*, March 10, 2008.
10. "The Fed's Liquidity Schemes Boost Commodities, Not Equities," *Investor Alert*, March 12, 2008.
11. ***The InterMarket Forecaster,* March 24, 2008.**
12. "Technology Stocks are Not Immune," *Investment Focus*, March 28, 2008.
13. "Profitable Mortgages Revisited," *Investor Alert*, April 10, 2008.
14. "In Search of a Bear Bottom," *Investor Alert*, April 18, 2008.
15. ***The InterMarket Forecaster*, April 28, 2008.**
16. "Does the Fed's New Policy Stance Suggest a Bottom?" *Investor Alert*, April 30, 2008.
17. "Prospects for Equity Style Bets," *Investment Focus*, May 7, 2008.
18. "The Real Story on Crude Oil," *Investment Focus*, May 16, 2008.
19. ***The InterMarket Forecaster*, May 23, 2008.**
20. "Consumer Confidence Plunges – and That's Bullish," *Investor Alert*, May 30, 2008.
21. "A Few More Policy Assaults," *The Capitalist Advisor*, June 9, 2008.
22. "History as a Guide to Rebounds in the Broker-Dealer Stocks," *Investor Alert*, June 13, 2008.
23. ***The InterMarket Forecaster*, June 23, 2008.**
24. "From Flat World to Free World," *The Capitalist Advisor*, June 27, 2008.

Continued on page 13 . . . . .

Appendix (continued)

IFI Research Reports in 2008

25. "Roots of the Latest Banking Crisis," *The Capitalist Advisor*, July 11, 2008.

26. "Mid-Year Review: So Far, So Good," *Investor Alert*, July 16, 2008.

27. "The Real Story on Crude Oil: Not Mere Speculation," *Investment Focus*, July 23, 2008.

28. ***The InterMarket Forecaster*, July 31, 2008.**

29. "The Coming Shift in Consumer Stocks," *Investment Focus*, August 7, 2008.

30. ***The InterMarket Forecaster*, August 15, 2008.**

31. "About Those Crazy Aunts and Uncles (the GSEs) Still Living in the Basement," *Investor Alert*, August 22, 2008.

32. "The Recession That Was – and That Which Will Be," *Investor Alert*, August 29, 2008.

33. "The Silly Panic Over U.S. Job Losses," *Investor Alert*, September 5, 2008.

34. "McBama versus America," *The Capitalist Advisor*, September 11, 2008.

35. "Bankruptcies are Bullish, Bailouts are Bearish," *Investor Alert*, September 22, 2008.

36. ***The InterMarket Forecaster*, September 30, 2008.**

37. "Socialist Finance in America – Part I," *The Capitalist Advisor*, October 15, 2008.

38. "The Mythical Credit Crunch," *Investor Alert*, October 20, 2008.

39. "This is the Scapegoat Phase," *Investor Alert*, October 27, 2008.

40. ***The InterMarket Forecaster*, October 31, 2008.**

41. "U.S. Equity Performance When the Democrats Control Washington," *The Capitalist Advisor*, November 7, 2008

42. ***The InterMarket Forecaster*, November 17, 2008.**

44. "Socialist Finance in America – Part II," *The Capitalist Advisor*, November 21, 2008.

44. "Socialist Finance in America – Part III," *The Capitalist Advisor*, November 30, 2008.

45. "U.S. Economic-Financial Performance Surrounding Recessions," *Investment Focus*, December 11, 2008.

46. "The U.S. Yield Curve as a Predictor of the Business Cycle," *Investment Focus*, December 15, 2008.

47. ***The InterMarket Forecaster*, December 19, 2008.**

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Richard M. Salsman, Ph.D., CFA®

Richard Salsman is founder, president and chief market strategist. Prior to IFI he was senior economist at H.C. Wainwright Economics, Inc. (1993-1999) and from 1981 to 1992 a banker and capital markets specialist at the Bank of New York and Citibank. Mr. Salsman has authored numerous articles and is an expert in market history, economics, forecasting, and investment strategy. His work has appeared in the Wall Street Journal, Investor's Business Daily, Barron's, Forbes, National Post (Canada) and the Economist. In addition, he has authored three books—Gold and Liberty (1995), Breaking the Banks: Central Banking Problems and Free Banking Solutions (1990), The Political Economy of Public Debt: Three Centuries of Theory and Evidence (2017) —plus many chapters in edited books. Salsman speaks regularly at conferences, investment gatherings and universities. He earned his B.A. in Law and Economics from Bowdoin College (1981), his M.B.A. in Economics from the Stern School of Business at NYU (1988), and his Ph.D. from Duke University in Political Economy (2012). In 1993 he earned the designation of Chartered Financial Analyst (CFA) from the Association for Investment Management and Research.

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