INTERMARKET FORECASTING

TOP DOWN INSIGHTS . . . BOTTOM LINE RESULTS

TRACK RECORD 2009

IFI performed very well in 2009, correctly forecasting 79% of our 125 assets, while besting 75% of our competitors on U.S. equities and 92% of them on U.S. bonds. The financial crisis of 2008 was still being felt in early 2009, so we were bold to predict that stocks and corporate bonds would soar and T-Bonds would plunge during the year – as they did. In addition, three of our four model investment portfolios outperformed benchmarks. We were right to advise a large portfolio share (75%) in U.S. stocks when the year began, a 70% share in junk bonds (for the fixed-income portfolio), and nothing at all in T-Bonds – as junk bonds gained 58%, while T-Bonds lost 22%. Our forecasts in 2009 focused on *practical* benefits to investors; as in the past, all our variables were *investable assets*. Below we summarize the main for 2009. A list of all our reports in 2009 appears on pages 12-13.

- Global equities rebounded by 28% in 2009, while the S&P 500 gained 26% (after losing 41% in 2008). IFI's Global equity portfolio returned even more (31%) beating the benchmark (a passive, equal-weighted portfolio for all global regions) by 0.5% points (Table 3, page 4).

- Our U.S.-Specific portfolio returned 24.4% in 2009 (Table 3, page 4), more than *double* the performance of the benchmark (65% stocks, 25% bonds, 10% T-Bills). We advised a significant over-weighting (75%) in U.S. stocks (which gained 23%), a 15% share in bonds, and 5% (each) in commodities and T-Bills. Whereas in 2008 we advised against junk bonds in favor of T-Notes, in 2009 we reversed the call, such that our bond portfolio gained 40%, as T-Bonds plunged by 22%. It also made sense to recommend commodities, as they gained 25% in 2009.

- Our model portfolio for U.S. Equity Styles returned 22.8% in 2009, but *under-performed* the passive benchmark of equal-weighted styles by 3.2% points (Table 3, page 4). We expected value stocks to beat growth stocks, but the reverse happened; we were right, however, in projecting small-cap stocks to beat large-cap stocks. On relative performance in sector rotation (Tables 6 and 7, pages 7-8) our model portfolio returned 27.5%, beating the S&P 500, as we correctly forecasted 60% of the relative sector results; our five *most-favored* sectors (including the *Financials* and *Consumer Discretionary*, which many were shunning), had a weighted return of 22.4%, while our five *least-favored* sectors (including *Health Care* and *Utilities*) gained just 5.1%.

- IFI's model portfolio for U.S.-Specific Fixed Income returned 40%, or 34.2% points above the 5.8% return on the benchmark (LB Aggregate Bond Index), because we advised material over-weightings in riskier corporate (primarily junk) bonds, and avoidance of low-yielding T-Notes and loss-generating T-Bonds (Table 3, page 4). We also predicted an upward-shift in the yield curve, including a rise in the 10-year T-Bond yield from 2.42% to 3.55% (it rose to 3.59%); we also predicted a dramatic narrowing in credit spreads, specifically, a junk-yield spread-narrowing of 1185 basis points; it narrowed 1370 basis points (Table 5, page 6).

- IFI correctly anticipated the *depreciation* of the U.S. dollar against major currencies in 2009, (after having predicted its *appreciation* in 2008), but *not* its decline against Latin American currencies (Table 4, page 5). Most commodity prices boomed in 2009, after plunging in 2008; we were directionally correct on 69% of our 35 distinct commodity-price calls (Table 4, page 5).

- In 2009 we outperformed 75% of our peers (Wall Street strategists, half from the "sell-side," half from the "buy-side) on the S&P 500's bullish results and 92% of them on the bearish results on T-Bonds, but we were wrong to expect minor Fed rate hikes (Table 9, pages 10-11).

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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 accounting or 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 research aims at uncovering quantitative, predictive relationships consistent with classical economics,[1] market-clearing price theory, market efficiency and empirical history. The finance-investment literature on which we rely most 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 related subclasses.[4] All 125 of the forecasted variables in this report represent investable assets. At IFI we don't spend a lot of time forecasting GDP, CPI, non-farm payrolls and sundry other "measures" provided by Washington and obsessed about by economists, since no one can *invest* in such statistics and since they provide only rear-view mirror hindsight about the market-based activity investors truly care about.

For easy reference we provide a numbered list of the 48 research reports that we issued throughout 2009 (see pages 12-13). The primary report upon which "Track Record 2009" is based is our "Outlook 2009," 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 2009 we focus here on our year-ahead outlook from a year ago. We also include *all* of the variables we forecasted – whether the good, the bad or the ugly.[5]

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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. Compared to 2003, today there are *many hundreds* of exchange-traded funds tracking all sorts of asset classes. We list the most appropriate ones to exploit in our reports.

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. As always, the reports we issued *during* the past year can easily be consulted for tests of our subsequent forecasting success.

Table One
Forecasted Variables in 2009 & IFI's Success Rates

Table	Page	Category	# of Variables	Correctly Forecasted Number	Percent
3	4	Returns on IFI Model Portfolios	4	3	75%
4	5	U.S. Dollar & Commodities	43	29	67%
5	6	U.S. Money Market & Fixed Income	14	13	93%
6, 7	7, 8	U.S. Equities & Sector Rotation	33	27	82%
8	9	International Markets	31	27	87%
		Total	**125**	**99**	**79%**

-		**IFI vs 12 Other Strategists**		Out-Performed by IFI	
Table	**Page**	**Category**	**# of Competitors**	**Number**	**Percent**
9	10, 11	S&P 500 Price Index	12	9	75%
9	10, 11	S&P 500 Earnings per Share	12	2	17%
9	10, 11	10-Year U.S. Treasury Bond Yield	12	11	92%
9	10, 11	Overnight Fed Funds Rate	12	4	33%
		Average		**6.5**	**54%**

Table Two
IFI's Asset Allocation Recommendation in 2009
Allocations Assume a One-year Time Horizon

	Dec 2008	Jan 2009	Feb 2009	Mar 2009	Apr 2009	May 2009	Jun 2009	Jul 2009	Aug 2009	Sep 2009	Oct 2009	Nov 2009	Dec 2009
Global Investor													
U.S.	62%	54%	52%	52%	48%	39%	33%	31%	30%	29%	28%	26%	23%
Europe/U.K.	19%	21%	21%	19%	18%	19%	20%	20%	21%	20%	20%	20%	21%
Asia-Pacific/Japan	18%	23%	24%	26%	28%	31%	34%	35%	34%	35%	35%	36%	37%
Latin America/Canada	1%	2%	3%	3%	6%	11%	13%	14%	15%	16%	17%	18%	19%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
U.S.-Specific Investor													
Equities	85%	75%	60%	55%	55%	55%	60%	65%	65%	65%	65%	65%	65%
Bonds (U.S. & Corporate)	5%	15%	20%	20%	20%	20%	20%	15%	15%	15%	15%	15%	15%
Bills (T-Bills & Aaa C/P)	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Commodities/Gold	5%	5%	15%	20%	20%	20%	15%	15%	15%	15%	15%	15%	15%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
U.S.-Specific Fixed Income Investor													
U.S. Treasury Bonds	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Inflation-Indexed Bonds	0%	0%	0%	0%	0%	5%	5%	5%	5%	5%	5%	5%	5%
Medium-Term Treasury Notes	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Investment-Grade Corporate Bonds	30%	35%	40%	45%	45%	45%	45%	40%	40%	40%	40%	40%	45%
Non-Invest.-Grade Corporate Bonds	70%	65%	60%	55%	55%	50%	50%	55%	55%	55%	55%	55%	50%
Convertible Corporate 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	5%	5%	10%	15%	15%	15%	15%	10%	10%	15%	15%	15%	15%
Large-Cap Value	45%	45%	40%	35%	35%	35%	35%	40%	40%	35%	35%	35%	35%
Small-Cap Growth	5%	5%	10%	15%	15%	15%	15%	10%	10%	10%	10%	10%	10%
Small-Cap Value	45%	45%	40%	35%	35%	35%	35%	40%	40%	40%	40%	40%	40%
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 2009**

	Advised	Total Returns per Asset Class	
Global Equity Investor	**Weighting**	**Absolute**	**Weighted Avg.**
U.S. (S&P 500)	54%	26.47%	14.29%
Asia-Pacific/Japan	23%	40.96%	9.42%
Europe/U.K.	21%	31.00%	6.51%
Latin America/Canada	2%	33.05%	0.66%
		Sum of Weighted-Average Returns:	**30.88%**
		Benchmark Return:	**30.37%**
		Excess/Deficient Return:	**0.51%**

	Advised	Total Returns per Asset Class	
U.S.-Specific Investor	**Weighting**	**Absolute**	**Weighted Avg.**
Equities (1)	75%	22.81%	17.11%
Bonds (Treas. & Corp.) (2)	15%	39.97%	5.99%
Commodities/Gold (3)	5%	25.15%	1.26%
3-Month Treasury Bills	5%	0.36%	0.02%
		Sum of Weighted-Average Returns:	**24.38%**
		Benchmark Return:	**11.80%**
		Excess/Deficient Return:	**12.58%**

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

	Advised	Total Returns per Asset Class	
U.S.-Specific Bond Investor	**Weighting**	**Absolute**	**Weighted Avg.**
Non-Inv.-Grade Corp. Bonds	65%	57.50%	37.38%
Inv.-Grade Corp. Bonds	35%	7.40%	2.59%
Inflation-Indexed T-Bonds	0%	7.53%	0.00%
Medium-Term T-Notes	0%	-1.09%	0.00%
Long-Term Treasury Bonds	0%	-21.78%	0.00%
		Sum of Weighted-Average Returns:	**39.97%**
		Benchmark Return:	**5.76%**
		Excess/Deficient Return:	**34.21%**

	Advised	Total Returns per Asset Class	
U.S.-Specific Equity Investor	**Weighting**	**Absolute**	**Weighted Avg.**
Small-Cap Value (in S&P 600)	45%	22.85%	10.28%
Large-Cap Value (in S&P 500)	45%	21.18%	9.53%
Large-Cap Growth (in S&P 500)	5%	31.57%	1.58%
Small-Cap Growth (in S&P 600)	5%	28.35%	1.42%
		Sum of Weighted-Average Returns:	**22.81%**
		Benchmark Return:	**26.02%**
		Excess/Deficient Return:	**-3.21%**

* "Outlook 2009," January 15, 2009.

Table Four

THE U.S. DOLLAR & COMMODITIES

IFI Forecasts versus Actual Results, Dec. 2008 to Dec. 2009

	% Changes in 2009		Directionally
U.S. Dollar in Foreign Exchange	**Forecasted**	**Actual**	**Correct?**
in Euro	-5.6%	-7.3%	yes
in JapaneseYen	-8.7%	-1.5%	yes
in Swiss Franc	-7.9%	-9.7%	yes
in British Pound	3.7%	-8.5%	no
in Canadian Dollar	-6.4%	-14.6%	yes
in Australian Dollar	-5.9%	-25.5%	yes
in Mexican Peso	0.6%	-4.1%	no
in Brazilian Real	6.9%	-26.9%	no
	% Changes in 2009		**Directionally**
Broad Commodity Indexes	**Forecasted**	**Actual**	**Correct?**
CRB Index: Spot Prices (All Commodities)	7.2%	35.7%	yes
CRB Index: Futures Prices (All Commodities)	6.5%	17.7%	yes
CRB Index: Precious Metals	17.6%	39.3%	yes
CRB Index: Base Metals	-1.0%	83.3%	no
CRB Index: Energy Products	16.1%	23.1%	yes
CRB Index: Agricultural Goods	3.6%	9.3%	yes
Goldman Sachs Commodity Index (Spot)	12.9%	11.3%	yes
	% Changes in 2009		**Directionally**
Specific Commodities	**Forecasted**	**Actual**	**Correct?**
Aluminum	7.1%	45.0%	yes
Coal	18.0%	-27.9%	no
Cocoa	4.5%	35.2%	yes
Coffee	4.7%	30.2%	yes
Copper	-1.2%	126.4%	no
Corn	4.8%	7.1%	yes
Cotton	2.6%	62.5%	yes
Crude Oil	21.1%	80.7%	yes
Electricity	7.3%	-7.6%	no
Gasoline	19.1%	93.7%	yes
Gold	13.1%	36.9%	yes
Heating Oil	18.8%	39.6%	yes
Lead	1.6%	138.3%	yes
Lean Hogs	0.7%	4.6%	yes
Live Cattle	3.4%	-1.6%	no
Natural Gas	14.2%	-5.9%	no
Nickel	0.8%	68.2%	yes
Oats	6.6%	24.8%	yes
Orange Juice	3.1%	75.9%	yes
Palladium	20.7%	113.7%	yes
Platinum	19.4%	68.8%	yes
Silver	17.2%	69.1%	yes
Soybeans	5.6%	16.8%	yes
Steel	-7.8%	19.3%	no
Sugar	-0.3%	77.2%	no
Tin	-4.0%	42.1%	no
Wheat	3.9%	-6.7%	no
Zinc	-3.8%	111.8%	no

Table Five

U.S. MONEY MARKET & FIXED INCOME

IFI Forecasts versus Actual Results, Dec. 2008 to Dec. 2009

	Yield Levels (averages in %)				Forecasted	Actual	
	Actual	Forecast	Forecast	Actual	Change in	Change in	Directionally
U.S. Treasury Yield Curve	Dec 08	Jun 09	Dec 09	Dec 09	2009 (bps)	2009 (bps)	Correct?
Fed Funds Rate	0.16	0.50	0.75	0.12	59	-4	no
3 mo. T-Bill Rate	0.03	0.22	0.51	0.05	48	2	yes
2 yr. T-Note Yield	0.82	1.10	1.52	0.87	70	5	yes
5 yr. T-Note Yield	1.52	2.04	2.47	2.34	95	82	yes
10 yr. T-Bond Yield	2.42	3.08	3.55	3.59	113	117	yes
30 yr. T-Bond Yield	2.87	3.55	4.04	4.49	117	162	yes
Forecasted vs. Actual: Absolute Total Return on T-Bonds:					-10.35%	-21.78%	yes
Forecasted vs. Actual: Relative Total Return, T-Bonds vs. T-Bills:					-10.65%	-22.14%	yes

	Yield Levels (averages in %)				Forecasted	Actual	
	Actual	Forecast	Forecast	Actual	Change in	Change in	Directionally
U.S. Corporate Bond Yields (%)	Dec 08	Jun 09	Dec 09	Dec 09	2009 (bps)	2009 (bps)	Correct?
Non-Investment Grade	21.82	16.65	11.10	9.29	-1072	-1253	yes
Investment-Grade (Baa-rated)	8.46	7.75	6.75	6.37	-171	-209	yes
Investment-Grade (Aaa-rated)	5.08	5.22	5.15	5.26	7	18	yes
U.S. Corp. Yield Spreads to 10-yr T-Bond (bps)							
Non-Investment Grade	1940	1357	755	570	-1185	-1370	yes
Investment-Grade (Baa-rated)	604	467	320	278	-284	-326	yes
Investment-Grade (Aaa-rated)	266	214	160	167	-106	-99	yes

Table Six

U.S. EQUITIES & SECTOR ROTATION

IFI Forecasts versus Actual Results, Dec. 2008 to Dec. 2009

	% Changes in 2009		Directionally
U.S. Equities and Style Bets	**Forecasted**	**Actual**	**Correct?**
DJIA 30	20.0%	21.4%	yes
NASDAQ Composite	16.0%	45.5%	yes
Large-Cap (S&P 500)	21.5%	26.5%	yes
Large-Cap Value (S&P 500)	27.3%	24.6%	yes
Large-Cap Growth (S&P 500)	9.7%	34.3%	yes
Large-Cap Value vs Large-Cap Growth (% pts)	17.6%	-9.7%	no
Super-Cap (S&P 100)	16.1%	21.4%	yes
Small-Cap (S&P 600)	26.6%	29.0%	yes
Small-Cap Value (S&P 600)	31.1%	29.4%	yes
Small-Cap Growth (S&P 600)	12.5%	32.1%	yes
Small-Cap Value vs Small-Cap Growth (% pts)	18.6%	-2.7%	no
Small-Cap (Russell 2000)	26.3%	30.8%	yes
Large-Cap vs. Small Cap (% pts)	-4.8%	-4.3%	yes
			Directionally
S&P 500 Sectors: Absolute Change (%)	**Forecasted**	**Actual**	**Correct?**
Consumer Discretionary	27.1%	41.9%	yes
Consumer Staples	26.4%	14.8%	yes
Energy	16.0%	14.1%	yes
Financials	38.0%	18.8%	yes
Health Care	14.8%	22.8%	yes
Industrials	14.4%	21.8%	yes
Information Technology	21.2%	59.0%	yes
Materials	12.6%	45.8%	yes
Telecommunications Services	18.8%	4.1%	yes
Utilities	12.3%	9.6%	yes
			Directionally
S&P 500 Sectors: Change versus S&P 500 (% pts)	**Forecasted**	**Actual**	**Correct?**
Consumer Discretionary	5.6%	15.4%	yes
Consumer Staples	5.0%	-11.7%	no
Energy	-5.4%	-12.5%	yes
Financials	16.5%	-7.8%	no
Health Care	-6.7%	-3.7%	yes
Industrials	-7.1%	-4.7%	yes
Information Technology	-0.3%	32.4%	no
Materials	-8.9%	19.3%	no
Telecommunications Services	-2.7%	-22.4%	yes
Utilities	-9.2%	-16.9%	yes

Table Seven

The Absolute & Relative Performance of S&P 500 Sectors in 2009

*Organized by IFI's Advised Weightings at the Beginning of 2009**

Changes in averages: Dec. 2008 to Dec. 2009

Sectors	IFI's Advised Weighting	Over-weight/ Under-weight	Absolute Changes Simple	Absolute Changes Weighted	Relative to S&P 500 Simple	Relative to S&P 500 Weighted
Financials	25%	12%	18.8%	4.7%	-7.7%	-1.9%
Consumer Discretionary	16%	8%	41.9%	6.7%	15.4%	2.5%
Consumer Staples	16%	3%	14.8%	2.4%	-11.7%	-1.9%
Information Technology	14%	-1%	59.0%	8.3%	32.5%	4.6%
Telecomm. Services	8%	3%	4.1%	0.3%	-22.4%	-1.8%
Energy	6%	-7%	14.1%	0.8%	-12.4%	-0.7%
Health Care	6%	-9%	22.8%	1.4%	-3.7%	-0.2%
Industrials	5%	-6%	21.8%	1.1%	-4.7%	-0.2%
Materials	4%	1%	45.8%	1.8%	19.3%	0.8%
Utilities	0%	-4%	9.6%	0.0%	-16.9%	0.0%
Change in S&P 500: +26.5%			IFI Portfolio:	27.5%		1.0%
Performance of IFI's 5 Most-Favored Sectors:			27.7%	22.4%	1.2%	1.4%
Performance of IFI's 5 Least-Favored Sectors:			22.8%	5.1%	-3.7%	-0.4%
Relative Performance, Most-Favored minus Least-Favored:			4.9%	17.2%	4.9%	1.9%
			(average)	(sum)	(average)	(sum)

* "Outlook 2009," January 15, 2009.

Table Eight

INTERNATIONAL MARKETS

IFI Forecasts versus Actual Results, Dec. 2008 to Dec. 2009

	% Changes in 2009		Directionally
Foreign Currencies vs the U.S.$	**Forecasted**	**Actual**	**Correct?**
Euro	5.9%	7.9%	See Table 5
JapaneseYen	9.6%	1.5%	See Table 5
Swiss Franc	8.6%	10.7%	See Table 5
British Pound	-3.6%	9.2%	See Table 5
Canadian Dollar	6.8%	17.1%	See Table 5
Australian Dollar	6.3%	34.3%	See Table 5
Mexican Peso	-0.6%	4.3%	See Table 5
Brazilian Real	-6.4%	36.8%	See Table 5
Foreign Government Bond Yields	**Changes in bps**		
Germany	129	9	yes
Japan	102	3	yes
Switzerland	102	-25	no
Britain	161	27	yes
Canada	135	47	yes
Australia	147	143	yes
Mexico	332	-300	no
Brazil	291	-184	no
Foreign Equities: Broad [ETF Symbols]	**Changes in %**		
EAFE [EFA]	11.1%	31.3%	yes
Asia-Pacific ex-Japan [ADRA]	17.7%	40.1%	yes
Europe ex-Britain [IEV]	11.6%	33.2%	yes
Americas ex-Canada [ILF]	0.1%	95.7%	yes
Foreign Equities: Asia-Pacific [ETF Symbols]	**Changes in %**		
Australia [EWA]	21.7%	76.8%	yes
Hong Kong [EWH]	16.3%	54.6%	yes
Japan [ITF]	6.2%	10.8%	yes
Malaysia [EWM]	13.0%	53.5%	yes
Singapore [EWS]	18.0%	69.6%	yes
South Korea [EWY]	15.1%	77.8%	yes
Taiwan [EWT]	22.4%	70.0%	yes
Foreign Equities: Europe [ETF Symbols]	**Changes in %**		
Austria [EWO]	22.8%	61.5%	yes
Britain [EWU]	2.5%	37.5%	yes
France [EWQ]	9.4%	31.6%	yes
Germany [EWG]	11.1%	28.1%	yes
Italy [EWI]	12.7%	26.3%	yes
Netherlands [EWN]	13.4%	45.4%	yes
Spain [EWP]	6.8%	37.5%	yes
Sweden [EWD]	8.4%	63.4%	yes
Switzerland [EWL]	8.0%	31.1%	yes
Foreign Equities: Americas [ETF Symbols]	**Changes in %**		
Canada [EWC]	3.7%	59.9%	yes
Brazil [EWZ]	-5.4%	126.5%	no
Mexico [EWW]	5.5%	57.3%	yes

Table Nine, Part I

IFI's Forecasts for 2009 Compared to Wall Street Strategists

Source: "Outlook 2009," Barron's, December 22, 2008, pg. 26

	S&P 500 Price Index			
Forecaster/Firm	**Actual Dec. 2008**	**Forecasted Dec. 2009**	**Forecasted % Change**	**Actual % Change**
James Paulsen/Wells Capital Management		1,250	42%	
David Kostin/Goldman Sachs		1,100	25%	
Thomas Lee/J.P. Morgan		1,100	25%	
Jason Trennert/Strategas Research Partners		1,100	25%	
Richard Salsman/InterMarket Forecasting		**1,066**	**21%**	
Robert Doll/BlackRock		1,050	20%	
Larry Adam/Deutsche Bank		1,025	17%	
Christopher Hyzy/U.S. Trust		1,020	16%	
Jerry Webman/Oppenheimer Funds		1,000	14%	
Tobias Levkovich/Citigroup		1,000	14%	
Richard Bernstein/Merrill Lynch		975	11%	
Abhijit Chakrabortii/Morgan Stanley		975	11%	
Alison Deans/Neuberger Berman		950	8%	
S&P 500 Price Index (actual)	**878**	**1,110**		**26%**

	S&P 500 Earnings per share			
Forecaster/Firm	**Actual Dec. 2008**	**Forecasted Dec. 2009**	**Forecasted % Change**	**Actual % Change**
James Paulsen/Wells Capital Management		na	na	
Larry Adam/Deutsche Bank		71.0	377%	
Jerry Webman/Oppenheimer Funds		70.0	370%	
Richard Salsman/InterMarket Forecasting		**66.0**	**344%**	
Thomas Lee/J.P. Morgan		65.0	337%	
Alison Deans/Neuberger Berman		62.5	320%	
Tobias Levkovich/Citigroup		62.0	317%	
Christopher Hyzy/U.S. Trust		60.0	303%	
Jason Trennert/Strategas Research Partners		58.3	291%	
Robert Doll/BlackRock		57.5	286%	
David Kostin/Goldman Sachs		53.0	256%	
Abhijit Chakrabortii/Morgan Stanley		53.0	256%	
Richard Bernstein/Merrill Lynch		50.0	236%	
S&P 500 EPS (actual - Full Year)	**14.9**	**55.5**		**273%**

Table Nine, Part II

IFI's Forecasts for 2009 Compared to Wall Street Strategists

Source: "Outlook 2009," Barron's, December 22, 2008, pg. 26

	10-Year U.S. Treasury Bond Yield			
Forecaster/Firm	**Actual Dec. 2008**	**Forecasted Dec. 2009**	**Forecasted Change (bps)**	**Actual Change (bps)**
Jason Trennert/Strategas Research Partners		4.25%	183	
James Paulsen/Wells Capital Management		4.00%	158	
Jerry Webman/Oppenheimer Funds		3.75%	133	
David Kostin/Goldman Sachs		3.60%	118	
Richard Salsman/InterMarket Forecasting		**3.55%**	**113**	
Robert Doll/BlackRock		3.25%	83	
Abhijit Chakrabortii/Morgan Stanley		3.25%	83	
Alison Deans/Neuberger Berman		3.00%	58	
Christopher Hyzy/U.S. Trust		3.00%	58	
Tobias Levkovich/Citigroup		3.00%	58	
Larry Adam/Deutsche Bank		2.75%	33	
Thomas Lee/J.P. Morgan		1.65%	-77	
Richard Bernstein/Merrill Lynch		1.50%	-92	
10-Year U.S. Treasury Bond Yield (actual)	**2.42%**	**3.59%**		**117**

	Overnight Federal Funds Rate			
Forecaster/Firm	**Actual Dec. 2008**	**Forecasted Dec. 2009**	**Forecasted Change (bps)**	**Actual Change (bps)**
James Paulsen/Wells Capital Management		2.00%	184	
Robert Doll/BlackRock		1.00%	84	
Jerry Webman/Oppenheimer Funds		1.00%	84	
Alison Deans/Neuberger Berman		0.75%	59	
Richard Salsman/InterMarket Forecasting		**0.75%**	**59**	
Christopher Hyzy/U.S. Trust		0.50%	34	
Abhijit Chakrabortii/Morgan Stanley		0.50%	34	
Jason Trennert/Strategas Research Partners		0.50%	34	
Larry Adam/Deutsche Bank		0.13%	-4	
David Kostin/Goldman Sachs		0.13%	-4	
Richard Bernstein/Merrill Lynch		0.13%	-4	
Tobias Levkovich/Citigroup		0.00%	-16	
Thomas Lee/J.P. Morgan		0.00%	-16	
Overnight Federal Funds Rate (actual)	**0.16%**	**0.12%**		**-4**

Appendix

IFI Research Reports in 2009

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1. "Forecasting Equity Volatility," *Investment Focus*, January 12, 2009.
2. **"Outlook 2009," January 15, 2009.**
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IFI Research Reports in 2009

(Continued from page 12)

25. "Don't Be So Defensive," *Investor Alert*, July 8, 2009.
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27. ***The InterMarket Forecaster*, July 27, 2009.**
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30. ***The InterMarket Forecaster*, August 17, 2009.**
31. "The Health Care Sector Under Obama's Scheme," *Investor Alert*, August 26, 2009.
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33. "The Recovery So Far – and a Prognosis," *Investor Alert*, September 11, 2009.
34. "American Health Care: Essential Principles and Common Fallacies," *The Capitalist Advisor*, September 18, 2009.
35. "Moral Health Care vs. 'Universal Health Care,'" *The Capitalist Advisor*, September 23, 2009.
36. ***The InterMarket Forecaster*, September 30, 2009.**
37. "Gold's Rise and the Dollar's 'Demise' – Part I," *Investor Alert*, October 7, 2009.
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44. "Why Controls are Breeding Controls" *The Capitalist Advisor*, November 30, 2009.
45. "A Day in the Life of the Dollar – and Gold's Slight Drop," *Investor Alert*, December 7, 2009.
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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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