INTERMARKET FORECASTING

TOP DOWN INSIGHTS . . . BOTTOM LINE RESULTS

TRACK RECORD 2010

IFI delivered good forecasting results in 2010, correctly anticipating directional shifts in 72% of the 126 assets covered. In the past decade our success rate has averaged 68%. We also out-performed 52% of our Wall Street peers last year. After the crises of 2008-09 our models anticipated a solid rebound in profits, stocks, junk bonds, commodities and T-Bond yields – and all but the latter performed as expected in 2010. In addition, returns on three of our four model portfolios surpassed returns on benchmarks. We were right to advise a large portfolio share (65%) in U.S. stocks (as they out-performed all other asset classes) and a 45% share of fixed income in junk bonds (the best-performer in the class). As before, our forecasts in 2010 focused on providing *practical* benefits to investors, as each predicted variable was *investable*. Below is a summary of the main results in 2010:

- Global equities (MSCI World) registered a total return of only 11.1% in 2010, less than half the return seen in 2009 (28%), yet IFI's Global equity portfolio returned 14.4%, largely by a materially *over-weighting* of Asia-Pacific (which returned 14.3%) and Latin America (which returned 17.8%). IFI out-performed by 3.4% points (see Table 3, page 4). Our *top ten* foreign equity markets gained 18.3%, while the *bottom ten* gained a mere 2.5% (see Table 8, page 9).

- Our U.S.-Specific portfolio returned 18.1% (Table 3, page 4), nearly 6% points above the return on the passive U.S. benchmark (65% in stocks, 30% in bonds, 5% in T-Bills). We advised a normal weight in stocks (65%) yet out-performed overall due to the material over-weightings we advised in booming commodities and riskier bonds. We advised a 15% share in commodities, which gained 19.4% (second to stocks) and eschewed low-yielding T-Bonds and T-Bills.

- Our model portfolio for U.S. Equity Styles returned 20.4%, close to the results on the passive, equal-weighted benchmark (Table 3, page 4). We recommended the highest weight (35%) in *small-cap value stocks*, which returned 24.7%, but most lucrative of all were *small-cap growth stocks* (28.0%), where we advised only a 15% share. In sector rotation (Tables 6 and 7, pages 7-8) our model portfolio gained 14.3%, beating the S&P 500 by 2.3% points (on a price basis). We correctly forecasted 60% of relative sector results. Our five *most-favored* sectors (including *Financials, Information Technology* and *Consumer Discretionary*) enjoyed a cap-weighted gain of 10.6%, beating the lesser gain (3.5%) on our five *least-favored* sectors (including *Utilities* and *Telecomm*).

- IFI's model portfolio for U.S.-Specific Fixed Income returned 12.8%, or *double* the 6.4% return on the benchmark (LB Aggregate Bond Index), primarily because we advised material over-weightings in riskier corporate bonds (including junk), while avoiding the much lower gains seen on T-Notes and T-Bonds (Table 3, page 4). We were wrong to predict *rising* yields for medium-to-longer-term maturities along the Treasury yield curve, as they actually *declined*, but that error didn't preclude us from outperforming the broad benchmark, because we foresaw the further narrowing of credit spreads, specifically for junk-bonds (Table 5, page 5).

- IFI correctly anticipated (in 2/3rds of all cases) the depreciation in the foreign exchange value of the U.S. dollar – even against some Latin American currencies – but *not* its rise versus the Euro and British pound (Table 4, page 5). Our models foresaw the boom in commodity prices and were directionally correct on 91% of our 35 commodity-price calls (Table 4, page 5).

- In 2010 we out-performed 52% of our peers (a dozen Wall Street strategists) on the four key U.S. variables – stock prices, corporate profits, T-Bond yields, and Fed policy (see Table 9, page 10), which was a bit below our average historical out-performance versus peers (63%).

101 CROYDON PLACE ▪ DURHAM, NORTH CAROLINA 27713
PHONE 919-942-2419 ▪ FAX 919-338-2652 ▪ RMSALSMAN@INTERMARKETFORECASTING.COM

IFI's Market-Based Forecasting Method

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

Our core aim is to uncover quantitative, predictive and exploitable relationships consistent with the principles of classical (or "supply-side") economics,[1] market-clearing price theory, market efficiency and empirical financial history. The finance-investment research on 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 – and as such, prices themselves reliably embody 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]

Our approach is *neither* "top-down" (GDP-based) nor "bottom-up" (company-specific) but focuses on the reliable *inter-connections* among the five key markets, yet also incorporates judgments about political-legal matters.

The empirical record demonstrates that an investor's initial asset allocation explains more than 80% of the returns ultimately achieved – so security selection and timing account for less than 20% of total returns (execution costs determine the balance). Thus in forecasting asset-class performance, IFI focuses precisely on the element of investment decision-making that most influences one's bottom-line results. IFI's time horizon is *one-year*, because there we find the most dependable forecasting success. We also provide forecasts looking a half-year ahead, but very short-term (and very long-term) forecasts are much less reliable and (for now at least) beyond our mission or purview. Optimal use of our forecasting system is achieved by *tactical asset allocation* (with a year-ahead horizon), versus day-trading, "market timing," or strategic asset allocation (using multi-year horizons).

Today's investor has many practical means of profiting by our forecasts and asset-allocation advice. For many years now it's been both unnecessary (and dangerous) to be a "stock picker" (or bond picker) – and much safer (and wiser) to profit from forecasts of broad asset classes and sub-classes.[4] By now 100% of the variables in our monthly report represent *investable* assets. At IFI we don't waste time forecasting GDP, CPI, non-farm payrolls and the sundry other "measures" provided by Washington, since no one can actually invest in such statistics and since they offer nothing but mere hindsight about the market-based activity investors truly care about.

For easy reference we provide a numbered list of every research report that we issued in 2010 (see pages 12-13). Clients also can access every IFI report (as far back as February 2000) by special access code on our web-site. The primary report upon which "Track Record 2010" is based is our "Outlook 2010," 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 2010 we focus on our year-ahead outlook from a year ago. As previously, we also include *all* the variables and forecasts we made in 2010 – whether good, bad or 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 more than 1000 exchange-traded funds (ETFs) track every kind of asset class. IFI's monthly forecast report (*The InterMarket Forecaster*) includes the most usable ETFs.

[5] Some forecasters dishonestly "cherry-pick" their track records so as to emphasize only their successes; IFI prides itself on presenting the *full* record, not a mere *partial* one. Of course, there's nothing magical about measuring forecasting success solely in the calendar year after December; it's merely a convention in the field. The reports we issue *during* the year also can be consulted for our subsequent forecasting success. Please contact IFI for details.

Table One
Forecasted Variables in 2010 & IFI's Success Rates

Table	Page	Category	# of Variables	Correctly Forecasted Number	Correctly Forecasted Percent
3	4	Returns on IFI Model Portfolios	4	3	75%
4	5	U.S. Dollar & Commodities	44	37	84%
5	6	U.S. Money Market & Fixed Income	14	4	29%
6, 7	7, 8	U.S. Equities & Sector Rotation	33	26	79%
8	9	International Markets	31	21	68%
		Total	**126**	**91**	**72%**

Table	Page	IFI vs. 12 Other Strategists Category	# of Competitors	Out-Performed by IFI Number	Out-Performed by IFI Percent
9	10-11	S&P 500 Price Index	12	7	58%
9	10-11	S&P 500 Earnings per Share	12	10	83%
9	10-11	10-Year U.S. Treasury Bond Yield	12	1	8%
9	10-11	Overnight Fed Funds Rate	12	7	58%
		Average		**6.3**	**52%**

Table Two
IFI's Asset Allocation Recommendations in 2010
Allocations Assume a 1-Year Time Horizon

	Dec 2009	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010	Jun 2010	Jul 2010	Aug 2010	Sep 2010	Oct 2010	Nov 2010	Dec 2010
Global Investor													
U.S.	23%	20%	19%	20%	22%	23%	25%	26%	23%	21%	19%	19%	16%
Europe/U.K.	21%	23%	23%	24%	25%	26%	29%	30%	31%	29%	28%	26%	27%
Asia-Pacific/Japan	37%	35%	36%	34%	33%	32%	26%	24%	25%	27%	27%	27%	28%
Latin America/Canada	19%	22%	22%	22%	20%	19%	20%	20%	21%	23%	26%	28%	29%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
U.S.-Specific Investor													
Equities	65%	65%	65%	65%	65%	65%	70%	70%	65%	60%	60%	60%	60%
Bonds (U.S. & Corporate)	15%	15%	15%	15%	15%	15%	10%	10%	10%	10%	10%	10%	10%
Bills (T-Bills & Aaa C/P)	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	0%
Commodities/Gold	15%	15%	15%	15%	15%	15%	15%	15%	20%	25%	25%	25%	30%
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	5%	10%	10%	10%	10%	10%	10%	10%	15%	15%	15%	20%	20%
Medium-Term Treasury Notes	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Investment-Grade Corporate Bonds	45%	45%	45%	40%	40%	40%	35%	30%	30%	30%	30%	25%	20%
Non-Invest.-Grade Corporate Bonds	50%	45%	45%	50%	50%	50%	55%	60%	55%	55%	55%	55%	60%
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	15%	15%	15%	10%	10%	10%	10%	10%	10%	10%	10%	15%	15%
Large-Cap Value	35%	35%	35%	30%	30%	25%	20%	15%	15%	20%	20%	15%	15%
Small-Cap Growth	10%	15%	15%	20%	20%	25%	30%	30%	35%	35%	35%	40%	40%
Small-Cap Value	40%	35%	35%	40%	40%	40%	40%	45%	40%	35%	35%	30%	30%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Table Thee

Returns on Major Asset Classes & IFI's Model Portfolios

*Based on IFI's Advised Portfolio Weightings at the Beginning of 2010**

	Advised	Total Returns per Asset Class	
Global Equity Investor	**Weighting**	**Absolute**	**Weighted Avg.**
Asia-Pacific/Japan	35%	14.32%	5.01%
Europe/U.K.	23%	10.84%	2.49%
Latin America/Canada	22%	17.80%	3.92%
U.S. (S&P 500)	20%	15.06%	3.01%
		Sum of Weighted-Average Returns:	**14.44%**
		Benchmark Return:	**11.07%**
		Excess/Deficient Return:	**3.37%**

	Advised	Total Returns per Asset Class	
U.S.-Specific Investor	**Weighting**	**Absolute**	**Weighted Avg.**
Equities (1)	65%	20.39%	13.26%
Bonds (Treas. & Corp.) (2)	15%	12.81%	1.92%
Commodities/Gold (3)	15%	19.36%	2.90%
3-Month Treasury Bills	5%	0.13%	0.01%
		Sum of Weighted-Average Returns:	**18.09%**
		Benchmark Return:	**12.15%**
		Excess/Deficient Return:	**5.94%**

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	45%	15.10%	6.80%
Inv.-Grade Corp. Bonds	45%	11.70%	5.27%
Inflation-Indexed T-Bonds	10%	7.53%	0.75%
Medium-Term T-Notes	0%	6.51%	0.00%
Long-Term Treasury Bonds	0%	7.84%	0.00%
		Sum of Weighted-Average Returns:	**12.81%**
		Benchmark Return:	**6.36%**
		Excess/Deficient Return:	**6.45%**

	Advised	Total Returns per Asset Class	
U.S.-Specific Equity Investor	**Weighting**	**Absolute**	**Weighted Avg.**
Small-Cap Value (in S&P 600)	35%	24.72%	8.65%
Large-Cap Value (in S&P 500)	35%	15.10%	5.29%
Large-Cap Growth (in S&P 500)	15%	15.05%	2.26%
Small-Cap Growth (in S&P 600)	15%	27.99%	4.20%
		Sum of Weighted-Average Returns:	**20.39%**
		Benchmark Return:	**20.68%**
		Excess/Deficient Return:	**-0.29%**

* "Outlook 2010," January 25, 2010.

Table Four
The U.S. Dollar & Commodities
IFI Forecasts versus Actual Results, Dec. 2009 to Dec. 2010

U.S. Dollar in Foreign Exchange	**% Changes in 2010** Forecasted	Actual	**Directionally Correct?**
Dollar Index	-5.8%	4.2%	no
in Euro	-7.2%	10.3%	no
in JapaneseYen	-4.3%	-7.4%	yes
in Swiss Franc	-7.5%	-5.9%	yes
in British Pound	0.7%	4.0%	yes
in Canadian Dollar	-6.6%	-4.3%	yes
in Australian Dollar	-8.8%	-10.4%	yes
in Mexican Peso	5.2%	-3.7%	no
in Brazilian Real	9.0%	-3.2%	no
	% Changes in 2010		**Directionally**
Broad Commodity Indexes	**Forecasted**	**Actual**	**Correct?**
CRB Index: Spot Prices (All Commodities)	9.2%	21.6%	yes
Diversified Basket of Commodities [DBC]	9.8%	10.2%	yes
Precious Metals [DBP]	12.7%	29.9%	yes
Base Metals [DBB]	11.7%	6.4%	yes
Energy Products [DBE]	8.0%	3.5%	yes
Agricultural Goods [DBA]	6.3%	18.0%	yes
Goldman Sachs Commodity Index [GSP]	8.1%	7.9%	yes
	% Changes in 2010		**Directionally**
Specific Commodities	**Forecasted**	**Actual**	**Correct?**
Aluminum	8.7%	8.9%	yes
Coal	17.7%	56.5%	yes
Cocoa	6.8%	-11.2%	no
Coffee	7.3%	55.1%	yes
Copper	9.4%	29.4%	yes
Corn	6.7%	48.4%	yes
Cotton	1.1%	87.4%	yes
Crude Oil	14.9%	19.6%	yes
Electricity	7.4%	13.3%	yes
Gasoline	11.0%	18.6%	yes
Gold	15.1%	23.5%	yes
Heating Oil	7.6%	20.2%	yes
Lead	11.2%	3.6%	yes
Lean Hogs	7.8%	16.9%	yes
Live Cattle	13.9%	25.0%	yes
Natural Gas	-1.0%	-20.6%	yes
Nickel	17.5%	40.7%	yes
Oats	3.1%	45.5%	yes
Orange Juice	-2.9%	24.4%	no
Palladium	10.9%	95.3%	yes
Platinum	12.2%	16.7%	yes
Silver	12.7%	66.3%	yes
Soybeans	6.0%	27.7%	yes
Steel	15.0%	28.0%	yes
Sugar	9.7%	9.9%	yes
Tin	13.6%	67.7%	yes
Wheat	9.3%	54.9%	yes
Zinc	6.3%	-4.5%	no

Table Five

U.S. Money Market & Fixed Income

IFI Forecasts versus Actual Results, Dec. 2009 to Dec. 2010

	Yield Levels (averages in %)				Forecasted	Actual	
U.S. Treasury Yield Curve	**Actual Dec 09**	**Forecast Jun 10**	**Forecast Dec 10**	**Actual Dec 10**	**Change in 2010 (bps)**	**Change in 2010 (bps)**	**Directionally Correct?**
Overnight Fed Funds Rate	0.12	0.25	0.75	0.18	63	6	yes
3 month T-Bill Rate	0.05	0.28	0.78	0.14	73	9	yes
2 year T-Note Yield	0.87	1.20	1.73	0.62	86	-25	no
5 year T-Note Yield	2.34	2.76	3.39	1.93	105	-41	no
10 year T-Bond Yield	3.59	4.10	4.73	3.29	114	-30	no
30 year T-Bond Yield	4.49	5.03	5.70	4.42	121	-7	no
Forecasted vs. Actual: Absolute Total Return on T-Bonds:					-8.45%	7.84%	no
Forecasted vs. Actual: Relative Total Return, T-Bonds vs. T-Bills:					-8.82%	7.71%	no

	Yield Levels (averages in %)				Forecasted	Actual	
U.S. Corp. Bond Yields (%)	**Actual Dec 09**	**Forecast Jun 10**	**Forecast Dec 10**	**Actual Dec 10**	**Change in 2010 (bps)**	**Change in 2010 (bps)**	**Directionally Correct?**
Non-Investment Grade	9.29	8.64	8.78	7.67	-51	-162	yes
Investment-Grade (Baa-rated)	6.37	6.22	6.62	6.10	25	-27	no
Investment-Grade (Aaa-rated)	5.26	5.30	5.75	5.02	49	-25	no
U.S. Corp. Yield Spreads to 10-yr T-Bond (bps)							
Non-Investment Grade	570	454	405	438	-165	-132	yes
Investment-Grade (Baa-rated)	278	212	189	281	-89	3	no
Investment-Grade (Aaa-rated)	167	120	102	173	-65	5	no

Table Six

U.S. Equities and Sector Rotation

IFI Forecasts versus Actual Results, Dec. 2009 to Dec. 2010

	% Changes in 2010		Directionally
U.S. Equities and Style Bets	**Forecasted**	**Actual**	**Correct?**
DJIA 30	16.8%	9.9%	yes
NASDAQ Composite	19.3%	18.5%	yes
Large-Cap (S&P 500)	17.2%	11.8%	yes
Large-Cap Value (S&P 500)	20.2%	12.3%	yes
Large-Cap Growth (S&P 500)	13.9%	14.5%	yes
Large-Cap Value vs Large-Cap Growth (% pts)	6.2%	-2.2%	no
Super-Cap (S&P 100)	16.7%	9.1%	yes
Small-Cap (S&P 600)	20.9%	28.0%	yes
Small-Cap Value (S&P 600)	24.1%	25.1%	yes
Small-Cap Growth (S&P 600)	15.5%	31.2%	yes
Small-Cap Value vs Small-Cap Growth (% pts)	8.6%	-6.1%	no
Small-Cap (Russell 2000)	21.4%	27.3%	yes
Large-Cap vs. Small Cap (% pts)	-4.2%	-15.5%	yes
	% Changes in 2010		**Directionally**
S&P 500 Sectors: Absolute Change (%)	**Forecasted**	**Actual**	**Correct?**
Consumer Discretionary	19.6%	26.5%	yes
Consumer Staples	9.4%	8.8%	yes
Energy	18.5%	15.0%	yes
Financials	21.4%	8.3%	yes
Health Care	18.6%	0.1%	yes
Industrials	19.7%	21.2%	yes
Information Technology	20.4%	11.3%	yes
Materials	13.0%	17.4%	yes
Telecommunications Services	4.4%	10.5%	yes
Utilities	3.7%	-0.1%	no
	% Changes in 2010		**Directionally**
S&P 500 Sectors: Change versus S&P 500 (% pts)	**Forecasted**	**Actual**	**Correct?**
Consumer Discretionary	2.4%	14.7%	yes
Consumer Staples	-7.8%	-3.0%	yes
Energy	1.3%	3.2%	yes
Financials	4.2%	-3.5%	no
Health Care	1.4%	-11.7%	no
Industrials	2.4%	9.4%	yes
Information Technology	3.2%	-0.5%	no
Materials	-4.2%	5.6%	no
Telecommunications Services	-12.8%	-1.3%	yes
Utilities	-13.5%	-11.9%	yes

Table Seven

The Absolute & Relative Performance of S&P 500 Sectors in 2010

*Organized by IFI's Advised Weightings at the Beginning of 2010**

Changes in averages: Dec. 2009 to Dec. 2010

	IFI's Advised	Over-weight /	Absolute Changes		Relative to S&P 500	
Sectors	**Weighting**	**Under-weight**	**Simple**	**Weighted**	**Simple**	**Weighted**
Financials	18%	4%	8.3%	1.5%	-3.5%	-0.6%
Information Technology	17%	-3%	11.3%	1.9%	-0.5%	-0.1%
Consumer Discretionary	15%	5%	26.5%	4.0%	14.7%	2.2%
Industrials	15%	5%	21.2%	3.2%	9.4%	1.4%
Health Care	11%	-2%	0.1%	0.0%	-11.7%	-1.3%
Energy	10%	-1%	15.0%	1.5%	3.2%	0.3%
Materials	9%	5%	17.4%	1.6%	5.6%	0.5%
Consumer Staples	5%	-6%	8.8%	0.4%	-3.0%	-0.1%
Telecomm Services	0%	-3%	10.5%	0.0%	-1.3%	0.0%
Utilities	0%	-4%	-0.1%	0.0%	-11.9%	0.0%
Change in S&P 500: + 11.8%			IFI Portfolio:	+14.1%		2.3%
Performance of IFI's 5 Most-Favored Sectors:			13.5%	10.6%	1.7%	1.6%
Performance of IFI's 5 Least-Favored Sectors:			10.3%	3.5%	-1.5%	0.7%
Relative Performance, Most-Favored minus Least-Favored:			3.2%pts	7.1%pts	3.2%pts	0.9%pts
			(average)	(sum)	(average)	(sum)

* "Outlook 2010," January 25, 2010.

Table Eight
International Markets
IFI Forecasts versus Actual Results, Dec. 2009 to Dec. 2010

	% Changes in 2010		Directionally
Foreign Currencies vs. the U.S.$	**Forecasted**	**Actual**	**Correct?**
Dollar Index (inverted)	6.1%	-4.0%	Table Four
Euro	7.8%	-9.3%	Table Four
JapaneseYen	4.5%	7.9%	Table Four
Swiss Franc	8.1%	6.3%	Table Four
British Pound	-0.7%	-3.9%	Table Four
Canadian Dollar	7.0%	4.5%	Table Four
Australian Dollar	9.7%	11.6%	Table Four
Mexican Peso	-4.9%	3.8%	Table Four
Brazilian Real	-8.3%	3.3%	Table Four
Foreign Government Bond Yields	**Changes in bps**		
Germany	107	-23	no
Japan	50	-8	no
Switzerland	74	-30	no
Britain	118	-30	no
Canada	112	-22	no
Australia	102	8	yes
Mexico	142	-92	no
Brazil	113	-172	no
Foreign Equities: Broad [ETF Symbols]	**Changes in %**		
EAFE [EFA]	23.9%	6.4%	yes
Asia-Pacific ex-Japan [ADRA]	29.3%	12.2%	yes
Europe ex-Britain [IEV]	22.4%	2.2%	yes
Americas ex-Canada [ILF]	21.3%	12.7%	yes
Foreign Equities: Asia-Pacific [ETF Symbols]	**Changes in %**		
Australia [EWA]	27.4%	14.2%	yes
Hong Kong [EWH]	27.7%	23.8%	yes
Japan [EWJ]	23.8%	9.2%	yes
Malaysia [EWM]	33.5%	32.7%	yes
Singapore [EWS]	32.3%	21.3%	yes
South Korea [EWY]	25.2%	24.7%	yes
Taiwan [EWT]	29.8%	22.4%	yes
Foreign Equities: Europe [ETF Symbols]	**Changes in %**		
Austria [EWO]	32.5%	6.6%	yes
Britain [EWU]	13.7%	6.9%	yes
France [EWQ]	18.1%	-6.0%	no
Germany [EWG]	23.9%	6.8%	yes
Italy [EWI]	22.1%	-16.4%	no
Netherlands [EWN]	16.0%	0.0%	yes
Spain [EWP]	22.4%	-22.3%	no
Sweden [EWD]	23.8%	27.0%	yes
Switzerland [EWL]	20.4%	9.8%	yes
Foreign Equities: Americas [ETF Symbols]	**Changes in %**		
Canada [EWC]	18.9%	18.2%	yes
Brazil [EWZ]	27.8%	3.4%	yes
Mexico [EWW]	14.8%	23.4%	yes

Table Nine, Part 1

IFI's Forecasts for 2010 Compared to Wall Street Strategists

Source: "Outlook 2010," Barron's, December 19, 2009

	S&P 500 Price Index			
Forecaster / Firm	**Actual Dec. 2009**	**Forecasted Dec. 2010**	**Forecasted % Change**	**Actual % Change**
James Paulsen, Wells Capital Management		1,350	22%	
John Praveen, Prudential International		1,350	22%	
Richard Salsman, InterMarket Forecasting		**1,302**	**17%**	
Thomas Lee, J.P. Morgan		1,300	17%	
Christopher Hyzy, U.S. Trust		1,300	17%	
Michael Hartnett, BofA / Merrill Lynch		1,275	15%	
David Kostin, Goldman Sachs		1,250	13%	
Robert Doll, BlackRock Financial		1,249	12%	
Jeffrey Knight, Putnam Investments		1,200	8%	
Henry McVey, Morgan Stanley Invest. Mgt.		1,170	5%	
François Trahan, ISI Group		1,150	4%	
Tobias Levkovich, Citigroup		1,150	4%	
Barry Knapp, Barclays Capital		1,120	1%	
S&P 500 Price Index (actual)	**1,110**	**1,242**		**12%**

	S&P 500 Earnings per share			
Forecaster / Firm	**Actual Dec. 2009**	**Forecasted Dec. 2010**	**Forecasted % Change**	**Actual % Change**
Thomas Lee, J.P. Morgan		80.0	57%	
John Praveen, Prudential International		80.0	57%	
James Paulsen, Wells Capital Management		80.0	57%	
Richard Salsman, InterMarket Forecasting		**78.0**	**53%**	
Robert Doll, BlackRock Financial		77.5	52%	
François Trahan, ISI Group		77.5	52%	
Henry McVey, Morgan Stanley Invest. Mgt.		76.5	50%	
David Kostin, Goldman Sachs		76.0	49%	
Jeffrey Knight, Putnam Investments		75.0	47%	
Christopher Hyzy, U.S. Trust		75.0	47%	
Michael Hartnett, BofA / Merrill Lynch		73.0	43%	
Tobias Levkovich, Citigroup		72.5	42%	
Barry Knapp, Barclays Capital		66.0	29%	
S&P 500 EPS (actual - Full Year)	**51.0**	**77.4**		**52%**

Table Nine, Part 2

IFI's Forecasts for 2010 Compared to Wall Street Strategists

Source: "Outlook 2010," Barron's, December 19, 2009

	10-Year U.S. Treasury Bond Yield			
Forecaster / Firm	**Actual Dec. 2009**	**Forecasted Dec. 2010**	**Forecasted Change (bps)**	**Actual Change (bps)**
Henry McVey, Morgan Stanley Invest. Mgt.		5.50%	191	
Richard Salsman / InterMarket Forecasting		**4.73%**	**114**	
Thomas Lee, J.P. Morgan		4.50%	91	
John Praveen, Prudential International		4.50%	91	
Barry Knapp, Barclays Capital		4.50%	91	
Robert Doll, BlackRock Financial		4.49%	90	
Tobias Levkovich, Citigroup		4.45%	86	
James Paulsen, Wells Capital Management		4.25%	66	
Jeffrey Knight, Putnam Investments		4.25%	66	
Michael Hartnett, BofA/Merrill Lynch		4.25%	66	
Christopher Hyzy, U.S. Trust		3.50%	-9	
François Trahan, ISI Group		3.50%	-9	
David Kostin, Goldman Sachs		3.30%	-29	
10-Year U.S. Treasury Bond Yield (actual)	**3.59%**	**3.29%**		**-30**
	Overnight Federal Funds Rate			
Forecaster / Firm	**Actual Dec. 2009**	**Forecasted Dec. 2010**	**Forecasted Change (bps)**	**Actual Change (bps)**
James Paulsen, Wells Capital Management		1.50%	138	
Henry McVey, Morgan Stanley Invest. Mgt.		1.50%	138	
Jeffrey Knight, Putnam Investments		1.00%	88	
Robert Doll, BlackRock Financial		1.00%	88	
Tobias Levkovich, Citigroup		1.00%	88	
Barry Knapp. Barclays Capital		1.00%	88	
Richard Salsman, InterMarket Forecasting		**0.75%**	**63**	
Christopher Hyzy, U.S. Trust		0.75%	63	
John Praveen, Prudential International		0.50%	38	
David Kostin, Goldman Sachs		0.13%	1	
Thomas Lee, J.P. Morgan		0.13%	1	
François Trahan, ISI Group		0.13%	1	
Michael Hartnett, BoA/Merrill Lynch		0.13%	1	
Overnight Federal Funds Rate (actual)	**0.12%**	**0.18%**		**6**

Appendix

IFI Research Reports in 2010

(Continued on page 13)

1. "Prospects for Investment Returns in the Coming Decade," *Investment Focus*, January 6, 2010.
2. "Equity Volatility Revisited," *Investment Focus*, January 13, 2010.
3. **"Outlook 2010," January 25, 2010.**
4. "Track Record 2009," February 12, 2010.
5. ***The InterMarket Forecaster*, February 19, 2010.**
6. "Doctor Doom Revisited," *The Capitalist Advisor*, February 28, 2010.
7. "The Year Since the Bottom: What's Next?" *Investor Alert*, March 9, 2010.
8. "Profligate Public Finance: U.S. versus Japan," *Investment Focus*, March 16, 2010.
9. ***The InterMarket Forecaster*, March 25, 2010.**
10. "Ominous Trends in the Burden of the Jobless on Taxpayers," *The Capitalist Advisor*, March 31, 2010.
11. "Greece, Government Debt and All That," *Investor Alert*, April 7, 2010.
12. "Yes, the Recession Ended Last Summer – and Don't Expect a 'Double Dip,'" *Investor Alert*, April 15, 2010.
13. ***The InterMarket Forecaster*, April 26, 2010.**
14. "Representation Without Taxation," *The Capitalist Advisor*, April 30, 2010.
15. "Corporate vs. Treasury Yields as Relative Holdings Shift," *Investment Focus*, May 5, 2010.
16. "How Fed Policy Busts Washington's Budget," *The Capitalist Advisor*, May 10, 2010.
17. "Latest 'Crisis' is Much Ado About (Almost) Nothing," *Investor Alert*, May 21, 2010.
18. ***The InterMarket Forecaster*, May 28, 2010.**
19. "The Real Story on Currencies and Stocks," *Investor Alert*, June 4, 2010.
20. "The Continuing Case for TIPS," *Investor Alert*, June 11, 2010.
21. ***The InterMarket Forecaster*, June 23, 2010.**
22. "America's Longest War: Why Failure is Washington's Preferred Option," *The Capitalist Advisor*, June 30, 2010.
23. "The Macro Climate Trumps All Else" (Harris Kupperman), *The Capitalist Advisor*, July 9, 2010.
24. "The Paradox of Profligacy," *The Capitalist Advisor*, July 16, 2010.

Appendix

IFI Research Reports in 2010

(Continued from page 12)

25. *The InterMarket Forecaster*, July 26, 2010.

26. "Be It Inflation or Deflation, Gold Performs Very Well," *Investment Focus*, July 31, 2010.

27. "Frank-n-Dodd and the Financials – Part I," *The Capitalist Advisor*, August 6, 2010.

28. "Uneven Recoveries (Like the Current One) are Normal," *Investor Alert*, August 15, 2010.

29. "Fed Policy Mirrors the Bank of Japan – and Thus Depresses T-Bond Yields," *Investment Focus*, August 20, 2010.

30. "Revisiting a Bullish Stance on Emerging Markets," *Investor Alert*, August 26, 2010.

31. *The InterMarket Forecaster*, August 30, 2010.

32. "Fears of Deflation are Ridiculous," *Investment Focus*, September 9, 2010.

33. "The Meaning of Negative Real Yields," *Investor Alert*, September 20, 2010.

34. "What About 'Gold for the Long Run?'" *Investment Focus*, September 25, 2010.

35. *The InterMarket Forecaster*, September 30, 2010.

36. "The Burden of the TARP Trap," *The Capitalist Advisor*, October 11, 2010.

37. "Don't Expect Miracles After Election Day," *The Capitalist Advisor*, October 18, 2010.

38. "The Currency Warriors – and Their Collateral Damage," *Investor Alert*, October 20, 2010.

39. *The InterMarket Forecaster*, October 31, 2010.

40. "QE2 and the Iceberg," *Investor Alert*, November 5, 2010.

41. "California's Greek Tragedy," *Investor Alert*, November 16, 2010.

42. *The InterMarket Forecaster*, November 26, 2010.

43. "Latest European Debt 'Crisis' Still Overblown," *Investor Alert*, November 30, 2010.

44. "The Widely-Ignored U.S. Fiscal Turnaround," *The Capitalist Advisor*, December 6, 2010.

45. "The Continuing Case for TIPS – Revisited" *Investor Alert*, December 13, 2010.

46. *The InterMarket Forecaster*, December 23, 2010.

47. "The Revival of Corporate Profits – Revisited," *Investor Alert*, December 29, 2010.

INTERMARKET FORECASTING

Research Reports in 6 Unique Series

IFI clients gain Integrated Research

The InterMarket Forecaster
6- and 12-months ahead (monthly)

Investment Focus
the factors driving each asset class

Outlook
6- and 12-months ahead (January)

Investor Alert
near-term dangers & opportunities

Track Record
cumulative and unabridged (annually)

The Capitalist Advisor
fundamental political-policy drivers

Essentialized reports
Fresh insights
Actionable forecasts
Reliable knowledge

910 Constitution Drive, Suite 1012 ▪ Durham, North Carolina 27715
▪ 919.942.2419 ▪
Sales Office 586.275.6000 ▪ sales@imfci.com

https://imfcinc.com

INTERMARKET
FORECASTING

Top Down Insights
Bottom Line Results

Company Background Services Leadership

InterMarket Forecasting, Inc. (IFI) is an independent investment research and forecasting firm that quantifies market-price signals to guide the asset allocation decisions and trading strategies of investment advisors, pension plans, asset managers, financial institutions and hedge funds. Since its founding in 2000 IFI has provided objective research and specific, practical advice to help investment managers maximize risk-adjusted returns and out-perform their benchmarks.

IFI's investment advice flows directly from its regression-based proprietary models, which are based on a careful scrutiny of long-term market data and historical patterns. Markets are inter-connected such that price changes have forecasting power. IFI identifies the quantitative links and distinct causal patterns of market history and uses these to signal portfolio outcomes. IFI's service and forecasts address the five major asset classes – currencies, commodities, stocks, bonds and bills – as well as sub-classes, including: large-cap vs. small-cap stocks, value stocks vs. growth stocks, stocks by sector, government bonds vs. corporate bonds, credit spreads and shifts in the yield curve. IFI's time horizon is six and twelve months ahead. Clients receive the following four reports each month by e-mail (an interactive, web-based archive is also available):

- *The InterMarket Forecaster* – comprehensive forecasts, analyses and AA advice for over 150 assets
- *Investment Focus* – in-depth, historical analyses of the factors which drive a specific asset or asset class
- *Investor Alert* – brief but timely analyses of recent market developments that might alter our forecasts
- *The Capitalist Advisor* – analysis of political-policy factors that might materially influence investments

Methodologically, IFI's research emphasizes the incentives and disincentives faced by producers, savers and investors and how these effect investments – the essence of classical or "supply-side" economics, in contrast to the flawed themes and track records of Keynesian economics. IFI views markets as global, inter-connected, and often politicized, so it also provides a rational framework for understanding and predicting how policies (monetary, fiscal, regulatory) will influence investment performance. IFI has no vested interest in rising or falling markets or in any particular investment styles. It offers clients an independent, objective source of investment research, forecasts and advice, in contrast to the bias often exhibited in brokerage firm material and salesmanship. Since its founding in 2000 IFI has delivered an average, across the board forecasting success rate of 66% and has outperformed its peers (Wall Street strategists) 61% of the time.

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.

910 Constitution Drive, Suite 1012 ▪ Durham, North Carolina 27715
▪ 919.942.2419 ▪
Sales Office 586.275.6000 ▪ Sales@IMFCI.com

https://imfcinc.com