INTERMARKET FORECASTING

TOP DOWN INSIGHTS . . . BOTTOM LINE RESULTS

TRACK RECORD 2011

IFI's forecasting success in 2011 suffered from the sharp, second-half downturn in equities globally, a downturn that also materially reduced government bond yields. In 2011 we correctly forecasted directional shifts in 33% of the 129 assets we cover, down from our 72% success rate in 2010 and our 79% success in 2009. Since IFI's founding more than a decade ago in 2000 its forecasting success rate has averaged 64% (page 2). In 2011 we out-performed 40% of our Wall Street peers, down from a long-term average of 61% (page 2). Our models correctly anticipated the U.S. dollar's depreciation, the rise in gold and oil, the big jump in profits, and more than half of the equity indexes, but stocks generally didn't reflect profit gains. Still in all, were right to advise a relatively small portfolio share in U.S. stocks (51%, on average). Below is a summary of results for 2011:

- Global equities (MSCI World) lost 5% in 2011 (total return basis), after an 11% positive return in 2010, while IFI's Global equity portfolio lost 11.7%, due mainly to our *over-weighting* loss-making regions like Asia-Pacific (-17.3%) and Latin America (-16.2%). Thus IFI's global stock portfolio under-performed the MSCI World Index by 6.7% points (Table 3, page 5).

- Our U.S.-Specific portfolio returned 4.1% in (Table 3, page 5), due to portfolio allocations in asset classes that surpassed equities (up only 2.6%), namely: commodities (a 30% allocation that returned 4.9%) and bonds (a 10% allocation that returned 10.6%). Still, a passive benchmark (65% stocks, 30% bonds, 5% T-Bills) would have returned 12.6%. We advised only a 60% share in stocks, but the best performing domestic asset was T-Bonds (+37.5%).

- Our model portfolio for U.S. Equity Styles returned 2.6%, which out-performed the passive benchmark of equal-weighted styles by 1.0% point (Table 3, page 5). We were right to recommend the largest portfolio weight (45%) in the best-performing style, *large-cap growth stocks* (+4.7%), then a 20% share in the second-best performer, *small-cap growth stocks* (+3.6), and the least weight (just 10%) in the worst-performing style, *small-cap value stocks* (-1.4%). On relative performance in sector rotation (Tables 6 and 7, pages 8-9) our model portfolio lost 2.9%, versus an S&P 500 gain of 0.1% (price basis). Our five *most-favored* sectors (*Industrials*, *Energy*, *Financials, Consumer Discretionary*, and *Information Technology*), registered a weighted average loss of 2.1%, while our five *least-favored* sectors (including *Utilities* and *Telecomm*) lost 0.9%.

- IFI's model portfolio for U.S.-Specific Fixed Income investors returned 10.6% in 2011, but that was roughly half the 23% return delivered by the standard industry benchmark, the LB Aggregate [Government-Corporate] Bond Index (see Table 3, page 5), because we over-favored corporate bonds relative to U.S. T-Bonds. Yet we were right to advise a large (20%) share in inflation-indexed TIPS, the second best-performing bond category (+25.3%). We wrongly projected a *rising* U.S. yield curve; at every maturity, yields in fact declined. Likewise, while we predicted a narrowing of credit spreads, in 2011 they widened (Table 5, page 7).

- IFI correctly anticipated the depreciation in the foreign exchange value of the U.S. dollar, but not its rise versus Latin American currencies, and our commodity models correctly forecasted the rise in commodity prices, specifically in sub-groups like *Precious Metals*, *Energy Products* and *Agricultural Goods*, but including the key prices of gold and oil (Table 4, page 6).

- In 2011 we surpassed only 40% of our peers (Wall Street strategists) on key U.S. variables – stock prices, profits, long-term T-Bond yields, and Fed policy (Table 9, pages 11-12) – below our average historical out-performance (61%). We predict we'll do far better in 2012.

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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.

IFI's 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 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 – 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 on 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 2011 (see pages 13-14). 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 2011" is based is our "Outlook 2011," 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" we document and report on our year-ahead outlook from a year ago. As previously, we also include *all* the variables and assets that we forecasted in 2011 – whether the final results were 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 there are more than 1000 exchange-traded funds (ETFs) tracking 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 full details.

Table One

Forecasted Variables in 2011 & IFI's Success Rates

Table	Page	Category	# of Variables	Correctly Forecasted Number	Correctly Forecasted Percent
3	5	Returns on IFI Model Portfolios	4	1	25%
4	6	U.S. Dollar & Commodities	44	23	52%
5	7	U.S. Money Market & Fixed Income	14	0	0%
6, 7	8	U.S. Equities & Sector Rotation	33	17	52%
8	10	International Markets	34	1	3%
		Total	**129**	**42**	**33%**

Table	Page	IFI vs 12 Other Strategists Category	# of Competitors	Out-Performed by IFI Number	Out-Performed by IFI Percent
9	11	S&P 500 Price Index	10	6	60%
9	11	S&P 500 Earnings per Share	10	9	90%
9	12	10-Year U.S. Treasury Bond Yield	10	0	0%
9	12	Overnight Fed Funds Rate	10	1	10%
		Average		**4.0**	**40%**

IFI Annual Track Records

Year	# of Variables	% Correct	Above / Below Average	% of WS Peers Surpassed
2001	68	70%	6%	64%
2002	100	60%	-4%	79%
2003	140	84%	20%	58%
2004	136	78%	14%	48%
2005	148	70%	6%	83%
2006	148	65%	1%	54%
2007	126	49%	-15%	72%
2008	126	48%	-17%	63%
2009	125	79%	15%	54%
2010	126	72%	8%	52%
2011	129	33%	-32%	40%
AVG	125	64%		61%

Table Two

IFI's Asset Allocation Recommendations in 2011

Allocations Assume a One-year Time Horizon

Global Investor	Dec 2010	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011
U.S.	16%	13%	11%	10%	11%	12%	13%	12%	10%	10%	11%	13%	14%
Europe/U.K.	27%	28%	28%	28%	28%	28%	25%	22%	20%	20%	18%	20%	21%
Asia-Pacific/Japan	28%	29%	30%	30%	30%	30%	32%	34%	37%	38%	39%	39%	40%
Latin America/Canada	29%	30%	31%	32%	31%	30%	30%	32%	33%	32%	32%	28%	25%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
U.S.-Specific Investor													
Equities	60%	60%	60%	60%	55%	55%	55%	50%	45%	40%	40%	45%	50%
Bonds (U.S. & Corporate)	10%	10%	10%	10%	15%	15%	15%	15%	15%	20%	20%	20%	25%
Bills (T-Bills & Aaa C/P)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Commodities/Gold	30%	30%	30%	30%	30%	30%	30%	35%	40%	40%	40%	35%	25%
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	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	15%
Medium-Term Treasury Notes	0%	5%	5%	5%	5%	5%	5%	5%	0%	0%	0%	0%	0%
Investment-Grade Corporate Bonds	20%	15%	15%	15%	20%	20%	20%	25%	35%	40%	40%	45%	50%
Non-Invest.-Grade Corporate Bonds	60%	60%	60%	60%	55%	55%	55%	50%	45%	40%	40%	35%	35%
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%	20%	20%	20%	20%	20%	20%	25%	30%	35%	35%	40%	45%
Large-Cap Value	15%	10%	10%	10%	10%	10%	10%	5%	5%	5%	5%	5%	5%
Small-Cap Growth	40%	45%	45%	45%	45%	45%	45%	50%	50%	45%	45%	45%	45%
Small-Cap Value	30%	25%	25%	25%	25%	25%	25%	20%	15%	15%	15%	10%	5%
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 2011 *

	Advised	Total Returns per Asset Class	
Global Equity Investor	**Weighting**	**Absolute**	**Weighted Avg.**
Latin America/Canada	30%	-16.24%	-4.87%
Asia-Pacific/Japan	29%	-17.31%	-5.02%
Europe/U.K.	28%	-7.25%	-2.03%
U.S. (S&P 500)	13%	2.11%	0.27%
		Sum of Weighted-Average Returns:	**-11.65%**
		Benchmark Return (MSCI World):	**-4.95%**
		Excess/Deficient Return vs. Benchmark:	**-6.70%**

	Advised	Total Returns per Asset Class	
U.S.-Specific Investor	**Weighting**	**Absolute**	**Weighted Avg.**
Equities (1)	60%	2.56%	1.54%
Commodities/Gold (2)	30%	4.98%	1.49%
Bonds (Treas. & Corp.) (3)	10%	10.57%	1.06%
3-Month Treasury Bills	0%	0.11%	0.00%
		Sum of Weighted-Average Returns:	**4.09%**
		Benchmark Return (4):	**12.63%**
		Excess/Deficient Return vs. Benchmark:	**-8.54%**

1. See weighted-average calculation from "U.S.-Specific Equity Investor"
2. Half from the Goldman Sachs Commodity Index and half from gold
3. See weighted-average calculation from "U.S.-Specific Bond Investor"
4. Benchmark: Equities 65%, Bonds 30%, T-Bills 5% = 100%

	Advised	Total Returns per Asset Class	
U.S.-Specific Bond Investor	**Weighting**	**Absolute**	**Weighted Avg.**
Non-Inv.-Grade Corp. Bonds	60%	4.49%	2.69%
Inflation-Indexed T-Bonds	20%	25.30%	5.06%
Inv.-Grade Corp. Bonds	15%	15.60%	2.34%
Medium-Term T-Notes	5%	9.50%	0.48%
Long-Term Treasury Bonds	0%	37.50%	0.00%
Convertible Corporate Bonds	0%	-5.20%	0.00%
		Sum of Weighted-Average Returns:	**10.57%**
		Benchmark Return (Lehman Agg.):	**22.95%**
		Excess/Deficient Return vs. Benchmark:	**-12.38%**

	Advised	Total Returns per Asset Class	
U.S.-Specific Equity Investor	**Weighting**	**Absolute**	**Weighted Avg.**
Large-Cap Growth (in S&P 500)	45%	4.65%	2.09%
Large-Cap Value (in S&P 500)	25%	-0.48%	-0.12%
Small-Cap Growth (in S&P 600)	20%	3.62%	0.72%
Small-Cap Value (in S&P 600)	10%	-1.38%	-0.14%
		Sum of Weighted-Average Returns:	**2.56%**
		Benchmark Return (50% in S&P500, 50% in S&P600):	**1.56%**
		Excess/Deficient Return vs. Benchmark:	**1.00%**

* "Outlook 2011," January 25, 2011.

Table Four

THE U.S. DOLLAR & COMMODITIES

IFI Forecasts versus Actual Results, Dec. 2010 - Dec. 2011

	% Changes in 2011		Directionally
U.S. Dollar in Foreign Exchange	**Forecasted**	**Actual**	**Correct?**
Dollar Index	-7.1%	-0.5%	yes
in Euro	-7.2%	0.5%	no
in JapaneseYen	-5.2%	-6.6%	yes
in Swiss Franc	-8.1%	-3.7%	yes
in British Pound	-7.3%	-0.1%	yes
in Canadian Dollar	-8.3%	1.5%	no
in Australian Dollar	-6.3%	-1.9%	yes
in Mexican Peso	-5.2%	11.2%	no
in Brazilian Real	-2.5%	8.5%	no
	% Changes in 2011		**Directionally**
Broad Commodity Indexes	**Forecasted**	**Actual**	**Correct?**
CRB Index: Spot Prices (All Commodities)	8.5%	-5.0%	no
Diversified Basket of Commodities [DBC]	9.6%	1.2%	yes
Precious Metals [DBP]	8.6%	12.9%	yes
Base Metals [DBB]	10.0%	-18.3%	no
Energy Products [DBE]	12.8%	6.3%	yes
Agricultural Goods [DBA]	6.4%	6.4%	yes
Goldman Sachs Commodity Index [GSP]	11.6%	-1.2%	no
	% Changes in 2011		**Directionally**
Specific Commodities	**Forecasted**	**Actual**	**Correct?**
Aluminum	11.3%	-15.7%	no
Coal	-2.5%	-7.3%	yes
Cocoa	6.4%	-26.4%	no
Coffee	2.1%	1.2%	yes
Copper	11.1%	-18.9%	no
Corn	4.4%	4.2%	yes
Cotton	-0.5%	-36.2%	yes
Crude Oil	11.4%	12.0%	yes
Electricity	6.1%	-32.6%	no
Gasoline	12.6%	11.0%	yes
Gold	7.3%	17.3%	yes
Heating Oil	14.3%	18.2%	yes
Lead	8.5%	-18.6%	no
Lean Hogs	9.6%	12.1%	yes
Live Cattle	12.6%	14.5%	yes
Natural Gas	19.7%	-27.1%	no
Nickel	10.8%	-24.5%	no
Oats	5.3%	-20.5%	no
Orange Juice	8.0%	3.8%	yes
Palladium	7.7%	-13.6%	no
Platinum	9.5%	-14.1%	no
Silver	10.0%	2.0%	yes
Soybeans	6.6%	-12.3%	no
Steel	12.6%	5.0%	yes
Sugar	16.5%	-23.3%	no
Tin	6.5%	-26.5%	no
Wheat	-0.1%	-18.8%	yes
Zinc	9.3%	-17.1%	no

Table Five

U.S. MONEY MARKET & FIXED INCOME

IFI Forecasts versus Actual Results, Dec. 2010 - Dec 2011

U.S. Treasury Yield Curve	Yield Levels (averages in %) Actual Dec 10	Forecast Jun 11	Forecast Dec 11	Actual Dec 11	Forecasted Change in 2011 (bps)	Actual Change in 2011 (bps)	Directionally Correct?
Fed Funds Rate	0.18	0.25	0.40	0.07	22	-11	no
3 mo. T-Bill Rate	0.14	0.45	0.76	0.01	62	-13	no
2 yr. T-Note Yield	0.62	1.11	1.73	0.26	111	-36	no
5 yr. T-Note Yield	1.93	2.76	3.84	0.89	191	-104	no
10 yr. T-Bond Yield	3.29	3.93	4.81	1.98	152	-131	no
30 yr. T-Bond Yield	4.42	4.89	5.68	2.98	126	-144	no
Forecasted vs. Actual: Absolute Total Return on T-Bonds:					-10.5%	37.5%	no
Forecasted vs. Actual: Relative Total Return, T-Bonds vs. T-Bills:					-10.9%	37.4%	no

U.S. Corporate Bond Yields (%)	Yield Levels (averages in %) Actual Dec 10	Forecast Jun 11	Forecast Dec 11	Actual Dec 11	Forecasted Change in 2011 (bps)	Actual Change in 2011 (bps)	Directionally Correct?
Non-Investment Grade	7.67	7.30	7.65	8.60	-2	93	no
Investment-Grade (Baa-rated)	6.10	6.49	7.24	5.25	114	-85	no
Investment-Grade (Aaa-rated)	5.02	5.45	6.29	3.93	128	-109	no
U.S. Corp. Yield Spreads to 10-yr T-Bond (bps)							
Non-Investment Grade	438	337	284	662	-154	224	no
Investment-Grade (Baa-rated)	281	256	243	327	-38	46	no
Investment-Grade (Aaa-rated)	173	152	148	195	-24	22	no

Table Six

U.S. EQUITIES & SECTOR ROTATION

IFI Forecasts versus Actual Results, Dec. 2010 - Dec 2011

U.S. Equities and Style Bets	% Changes in 2011 Forecasted	Actual	Directionally Correct?
DJIA 30	9.6%	5.3%	yes
NASDAQ Composite	11.1%	-1.1%	no
Large-Cap (S&P 500)	9.1%	0.1%	yes
Large-Cap Value (S&P 500)	7.7%	-1.2%	no
Large-Cap Growth (S&P 500)	10.2%	3.8%	yes
Large-Cap Value vs Large-Cap Growth (% pts)	-2.6%	-5.0%	no
Super-Cap (S&P 100)	7.3%	2.8%	yes
Small-Cap (S&P 600)	11.4%	0.2%	yes
Small-Cap Value (S&P 600)	10.8%	-2.3%	no
Small-Cap Growth (S&P 600)	12.7%	2.8%	yes
Small-Cap Value vs Small-Cap Growth (% pts)	-1.9%	-5.2%	yes
Small-Cap (Russell 2000)	11.9%	-4.2%	no
Large-Cap vs. Small Cap (% pts)	-2.8%	4.3%	no

S&P 500 Sectors: Absolute Change (%)	% Changes in 2011 Forecasted	Actual	Directionally Correct?
Consumer Discretionary	11.1%	3.8%	yes
Consumer Staples	3.5%	9.4%	yes
Energy	12.6%	4.4%	yes
Financials	12.0%	-17.5%	no
Health Care	2.2%	8.2%	yes
Industrials	15.3%	-2.7%	no
Information Technology	10.2%	2.1%	yes
Materials	7.5%	-9.3%	no
Telecommunications Services	0.5%	0.3%	yes
Utilities	-0.7%	12.8%	no

S&P 500 Sectors: Change versus S&P 500 (% pts)	% Changes in 2011 Forecasted	Actual	Directionally Correct?
Consumer Discretionary	2.1%	3.6%	yes
Consumer Staples	-5.6%	9.2%	no
Energy	3.5%	4.2%	yes
Financials	3.0%	-17.6%	no
Health Care	-6.8%	8.0%	no
Industrials	6.2%	-2.9%	no
Information Technology	1.2%	2.0%	yes
Materials	-1.6%	-9.5%	no
Telecommunications Services	-8.6%	-0.1%	yes
Utilities	-9.7%	12.7%	no

Table Seven

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

Organized by IFI's Advised Weightings at the Beginning of 2011 *

Changes in averages: Dec. 2010 to Dec. 2011

	IFI's Advised	Over-weight /	Absolute Changes		Relative to S&P 500	
Sectors	Weighting	Under-weight	Simple	Weighted	Simple	Weighted
Industrials	21%	10%	-2.7%	-0.6%	-2.9%	-0.6%
Energy	19%	7%	4.4%	0.8%	4.2%	0.8%
Financials	18%	2%	-17.5%	-3.2%	-17.6%	-3.2%
Consumer Discretionary	16%	5%	3.8%	0.6%	3.6%	0.6%
Information Technology	13%	-6%	2.1%	0.3%	2.0%	0.3%
Materials	11%	7%	-9.3%	-1.0%	-9.5%	-1.0%
Consumer Staples	1%	-10%	9.4%	0.1%	9.2%	0.1%
Health Care	1%	-10%	8.2%	0.1%	8.0%	0.1%
Telecomm Services	0%	-3%	0.3%	0.0%	0.2%	0.0%
Utilities	0%	-3%	12.8%	0.0%	12.7%	0.0%
Change in S&P 500: +0.1%			IFI Sector Portfolio:	-2.9%		-3.0%
Performance of IFI's 5 Most-Favored Sectors:			-2.0%	-2.0%	-2.1%	-2.1%
Performance of IFI's 5 Least-Favored Sectors:			4.3%	-0.8%	4.1%	-0.9%
Relative Performance, Most-Favored minus Least-Favored:			-6.3%	-1.2%	-6.3%	-1.3%
			(average)	(sum)	(average)	(sum)

* "Outlook 2011," January 25, 2011.

Table Eight

INTERNATIONAL MARKETS

IFI Forecasts versus Actual Results, Dec. 2010 - Dec 2011

	% Changes in 2011		Directionally
Foreign Currencies vs the U.S.$	**Forecasted**	**Actual**	**Correct?**
See Table Five (page XX), the inverse of these currency forecasts			
Foreign Government Bond Yields	**Changes in bps**		
Germany	97	-92	no
Japan	59	-18	no
Switzerland	61	-93	no
Britain	81	-143	no
Canada	80	-123	no
Australia	83	-173	no
Spain	53	4	yes
Mexico	96	-29	no
Brazil	85	-82	no
Foreign Equities: Broad [ETF Symbols]	**Changes in %**		
EAFE [EFA]	17.9%	-11.3%	no
Asia-Pacific ex-Japan [ADRA]	18.2%	-15.6%	no
Europe ex-Britain [IEV]	15.1%	-11.1%	no
Americas ex-Canada [ILF]	22.3%	-16.2%	no
Emerging Markets	21.4%	-16.3%	no
Foreign Equities: Asia-Pacific [ETF Symbols]	**Changes in %**		
Australia [EWA]	18.0%	-7.6%	no
Hong Kong [EWH]	17.6%	-17.0%	no
Japan [ITF]	20.0%	-13.2%	no
Malaysia [EWM]	21.5%	-1.4%	no
Singapore [EWS]	20.7%	-14.8%	no
South Korea [EWY]	18.5%	-8.0%	no
Taiwan [EWT]	13.0%	-19.0%	no
Foreign Equities: Europe [ETF Symbols]	**Changes in %**		
Austria [EWO]	14.8%	-32.1%	no
Britain [EWU]	22.9%	-3.6%	no
France [EWQ]	17.5%	-17.5%	no
Germany [EWG]	13.8%	-17.1%	no
Italy [EWI]	18.2%	-22.7%	no
Netherlands [EWN]	18.2%	-14.9%	no
Spain [EWP]	17.5%	-10.7%	no
Sweden [EWD]	7.3%	-16.1%	no
Switzerland [EWL]	13.3%	-7.0%	no
Foreign Equities: Americas [ETF Symbols]	**Changes in %**		
Canada [EWC]	17.9%	-11.8%	no
Brazil [EWZ]	25.6%	-20.1%	no
Chile [ECH]	22.4%	-25.2%	no
Mexico [EWW]	18.8%	-10.2%	no

Table Nine

IFI's Forecasts for 2011 Compared to Wall Street Strategists

Source: "Outlook 2011," Barron's, December 20, 2010

	S&P 500 Price Index			
Forecaster / Firm	Actual Dec. 2010	Forecasted Dec. 2011	Forecasted % Change	Actual Change (%)
David Kostin/Goldman Sachs		1,450	16.7%	
James Paulsen/Wells Capital Management		1,425	14.7%	
Barry Knapp/Barclays Capital		1,420	14.3%	
David Kelly/J.P. Morgan Funds		1,400	12.7%	
David Bianco/Bank of America-Merrill Lynch		1,400	12.7%	
Henry McVey/Morgan Stanley Invest. Mgt.		1,362	9.7%	
Richard Salsman / InterMarket Forecasting		**1,354**	**9.0%**	
Jeffrey Knight/Putnam Investments		1,350	8.7%	
Michael Ryan/UBS Wealth Management		1,350	8.7%	
Brian Belski/Oppenheimer		1,325	6.7%	
Doug Cliggot/Credit Suisse		1,250	0.6%	
S&P 500 Price Index (actual)	**1,242**	**1,244**		**0.2%**

	S&P 500 Earnings per share			
Forecaster / Firm	Actual Dec. 2010	Forecasted Dec. 2011	Forecasted % Change	Actual Change (%)
David Kelly/J.P. Morgan Funds		$98.0	17.2%	
Richard Salsman / InterMarket Forecasting		**$97.7**	**16.8%**	
James Paulsen/Wells Capital Management		$95.0	13.6%	
Jeffrey Knight/Putnam Investments		$95.0	13.6%	
David Kostin/Goldman Sachs		$94.0	12.4%	
Henry McVey/Morgan Stanley Invest. Mgt.		$93.5	11.8%	
David Bianco/Bank of America-Merrill Lynch		$93.0	11.2%	
Barry Knapp/Barclays Capital		$91.0	8.8%	
Doug Cliggot/Credit Suisse		$91.0	8.8%	
Michael Ryan/UBS Wealth Management		$90.0	7.6%	
Brian Belski/Oppenheimer		$88.5	5.8%	
S&P 500 EPS (actual - Full Year)	**$83.6**	**$98.6**		**18%**

Table Nine (continued)

IFI's Forecasts for 2011 Compared to Wall Street Strategists

Source: "Outlook 2011," Barron's, December 20, 2010

Forecaster / Firm	Actual Dec. 2010	Forecasted Dec. 2011	Forecasted Change (bps)	Actual Change (bp)
	10-Year U.S. Treasury Bond Yield			
Richard Salsman / InterMarket Forecasting		**4.81%**	**152**	
David Kelly / J.P. Morgan Funds		4.25%	96	
Jeffrey Knight / Putnam Investments		4.25%	96	
James Paulsen / Wells Capital Management		4.00%	71	
David Bianco / Bank of America-Merrill Lynch		4.00%	71	
Henry McVey / Morgan Stanley Invest. Mgt.		4.00%	71	
Brian Belski / Oppenheimer		3.75%	46	
Barry Knapp / Barclays Capital		3.50%	21	
Doug Cliggot / Credit Suisse		3.50%	21	
David Kostin / Goldman Sachs		3.25%	-4	
Michael Ryan / UBS Wealth Management		3.25%	-4	
10-Year U.S. Treasury Bond Yield (actual)	**3.29%**	**1.98%**		**-131**

Forecaster / Firm	Actual Dec. 2010	Forecasted Dec. 2011	Forecasted Change (bps)	Actual Change (bp)
	Overnight Federal Funds Rate			
James Paulsen / Wells Capital Management		0.50%	32	
Richard Salsman / InterMarket Forecasting		**0.40%**	**22**	
David Kelly / J.P. Morgan Funds		0.30%	12	
Jeffrey Knight / Putnam Investments		0.25%	7	
David Kostin / Goldman Sachs		0.18%	0	
Barry Knapp / Barclays Capital		0.18%	0	
David Bianco / Bank of America-Merrill Lynch		0.18%	0	
Henry McVey / Morgan Stanley Invest. Mgt.		0.18%	0	
Michael Ryan / UBS Wealth Management		0.18%	0	
Brian Belski / Oppenheimer		0.18%	0	
Doug Cliggot / Credit Suisse		0.18%	0	
Overnight Federal Funds Rate (actual)	**0.18%**	**0.07%**		**-11**

Appendix

IFI Research Reports in 2011

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25. "Corporate vs. Treasury Yields as Business Lending Revives," *Investment Focus*, July 15, 2011.

26. "Sovereign Debt Turmoil: Political Causes and Investment Consequences," *The Capitalist Advisor*, July 22, 2011.

27. *The InterMarket Forecaster*, July 26, 2011.

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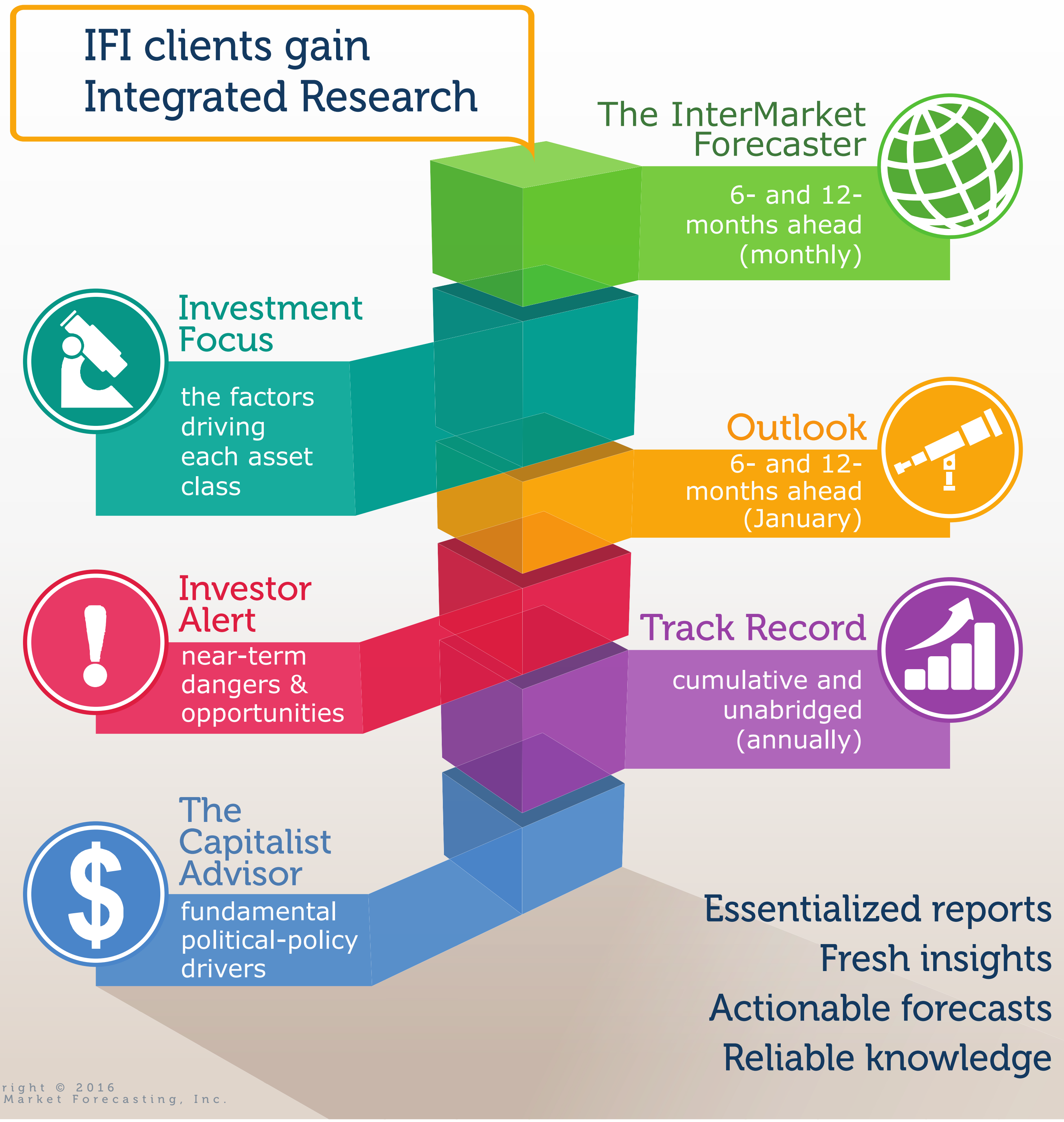

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