S&P 500® December Price Return: +1.78%
S&P SmallCap 600™ December Price Return: +8.49%

The Market

S&P 500

Within this decade, the market has gone through two Bulls and two Bears, with the speed of the current recovery (from March 9, 2009) not seen since 1935. Volatility, along with volume, has significantly declined over the last few months, but 2009 still ranks as the seventh most volatile year in the S&P 500's history. The last 5% move for the index was on March 23rd at +7.08%, and the last 3% move was on June 22nd at -3.06%. The VIX declined to a 2009 low of 19.47 from the 24.51 November close, compared to the 2008 close of 40.00 (after a high of 81.48 in November 2008). From March 9th, the 208 trading days produced a 64.83% gain, the best gain since the 67.00% increase in December 1935 (with the exception of 12/29/09). While the market remains 28.75% off its 2007 high, the gains have (so far) mostly stayed with little profit taking, and few major selling days.

For the month, the S&P 500 ended with a 1.78% gain. For the year, the index posted a 23.45% gain, putting a dent in last year's 38.49% drop, though the index is still off 24.06% from 2007's close. For the month, Information Technology continued its 2009 lead position with a 5.58% gain; Financials were down 1.64%; and Energy was off 0.99%. All ten sectors were ahead for 2009, with only Consumer Staples ahead since the October 2007 high (on a total return basis). For the year, all 10 sectors were up, with Information Technology posting a 59.9% gain, and Telecommunications lagging with a 2.63% gain.

S&P SmallCap 600

The S&P SmallCap 600 ended 2009 with a convincing 8.49% gain and strong breadth numbers not seen in years. The S&P SmallCap 600 now posts an 83% gain since its March 9th low, more than overcoming its 32.4% decline from the start of 2009 until the March 9th low point. For 2009, the index was up 23.78% (+23.97% for the second half), with 429 issues averaging a 61.88% gain and 170 decliners averaging a 19.38% loss. While the 2-year return remains negative at -23.11%, the 10-year return is an impressive +68.18% – especially when compared the S&P 500, which has a 10-year loss of 24.10%.

Returns within the S&P SmallCap 600's sectors were all solid, with Consumer Staples posting a 12.42% December gain, to end the year at +37.89%. Consumer Discretionary posted a 9.62% monthly gain, and was the best sector performer for the year with a 50.70% gain. The lowest returns for the month, as well as the year, were posted by Telecommunications (+6.06% for December and -43.86% for the year) and Financials (+6.28% for December and -8.30% for the year).

Percent Price Change: S&P 500

S&P 500 PRICE CHANGE	2009	July Low 12/31/2009 - 7/10/2009	Bear Low 12/31/2009 - 3/09/2009	Bull High 12/31/2009 - 10/9/2007	DECEMBER 2009	3-MONTHS (9/30/2009)
Energy	11.29%	23.68%	38.29%	-26.37%	-0.99%	5.04%
Materials	45.23%	36.93%	83.62%	-25.72%	1.41%	6.89%
Industrials	17.27%	34.28%	82.93%	-36.25%	1.12%	4.77%
Consumer Discretionary	38.76%	35.29%	86.98%	-21.49%	4.33%	8.59%
Consumer Staples	11.20%	15.57%	37.29%	-5.58%	-0.66%	4.22%
Health Care	17.07%	21.35%	43.02%	-14.02%	1.91%	8.53%
Financials	14.80%	29.77%	131.33%	-59.79%	-1.64%	-3.68%
Information Technology	59.92%	33.60%	85.70%	-12.63%	5.58%	10.45%
Telecommunication Services	2.63%	17.22%	30.12%	-35.87%	4.58%	5.87%
Utilities	6.80%	15.37%	38.82%	-24.85%	5.21%	6.08%
S&P 500	**23.45%**	**26.84%**	**64.83%**	**-28.75%**	**1.78%**	**5.49%**

Percent Price Change: S&P SmallCap 600

S&P SmallCap 600 PRICE CHANGE	DECEMBER 2009	3-MONTHS (9/30/2009)	1-YEAR (12/31/2008)	2-YEAR (12/31/2007)	3-YEAR (12/31/2006)
Energy	6.45%	9.00%	61.95%	-13.28%	-3.21%
Materials	10.46%	8.53%	46.27%	-34.38%	-25.39%
Industrials	7.63%	4.99%	15.25%	-22.49%	-14.91%
Consumer Discretionary	9.62%	2.05%	50.70%	-26.64%	-40.76%
Consumer Staples	12.42%	7.18%	37.89%	5.27%	11.10%
Health Care	8.88%	7.46%	22.21%	-16.19%	-4.49%
Financials	6.28%	3.72%	-8.30%	-40.53%	-53.48%
Information Technology	10.45%	3.07%	47.78%	-21.72%	-13.13%
Telecommunication Services	6.06%	1.92%	-43.86%	-77.78%	-83.50%
Utilities	6.20%	6.43%	1.78%	-10.26%	-11.06%
S&P SmallCap 600	**8.49%**	**4.79%**	**23.78%**	**-23.11%**	**-23.44%**

Breadth

S&P 500

Breadth was very strong for the 2009 recovery, with 425 issues up an average of 51.4%, and 73 down an average of 14.3%. Forty-nine issues doubled, with three losing half their value (C -50.6%, HBAN -52.4%, MI -60.0%). For the month, 377 issues were up an average of 7.33%, and 123 issues were down an average of 3.62%. Seventy-eight issues gained at least 10%, and six issues declined 10%.

S&P 600

For the month, 536 issues gained an average of 10.38%, with 216 issues posting gains above that average. The 63 decliners in the index averaged a 5.14% loss, with 9 issues posting declines of at least 10%.

Monthly Breadth: S&P 500

PERIOD	UP ISSUES	UNCHANGED ISSUES	DOWN ISSUES	AVERAGE % CHANGE	TOP 10 % AVG CHANGE	TOP 25 % AVG CHANGE	TOP 50 % AVG CHANGE	S&P 500 % CHANGE
2009	425	2	73	41.72	27.84	28.34	28.06	23.45
Dec,'09	377	0	123	4.63	-0.16	0.88	0.75	1.78
Nov,'09	403	2	95	5.19	5.65	5.52	6.29	5.74
Oct,'09	162	0	338	-3.52	-0.22	-0.71	-0.65	-1.98
Sep,'09	379	0	121	5.02	4.17	3.68	2.52	3.57

Monthly Breadth: S&P SmallCap 600

PERIOD	AVERAGE % CHANGE	UP ISSUES	AVERAGE % CHANGE	DOWN ISSUES	AVERAGE % CHANGE	TOP 100	BOTTOM 100	S&P 600 % CHANGE
Dec,'09	38.82	429	61.88	170	-19.38	42.55	24.42	23.78
Nov,'09	28.19	394	53.93	205	-21.27	32.65	14.46	14.10
Oct,'09	24.48	381	51.09	217	-22.13	26.52	8.66	11.29
Sep,'09	35.68	421	59.57	178	-20.83	31.19	27.68	18.12

Earnings

Operating EPS Change: S&P 500

	Q1 2009 OVER Q1 2008	Q2 2009 OVER Q2 2008	Q3 2009 OVER Q3 2008	Q4 2009 OVER Q4 2008
S&P 500	**-39.15%**	**-18.85%**	**-1.10%**	**17315.75%**
Consumer Discretionary	-85.59%	65.35%	157.41%	1010.40%
Consumer Staples	-3.56%	8.11%	4.66%	8.79%
Energy	-96.36%	-66.26%	-71.40%	50.11%
Financials	162.63%	196.09%	124.70%	112.38%
Health Care	6.78%	4.13%	10.15%	18.61%
Industrials	-39.78%	-37.18%	-40.65%	-21.70%
Information Technology	-34.73%	-20.55%	3.01%	91.29%
Materials	-76.74%	-64.80%	-33.85%	138.50%
Telecommunication Services	-7.60%	-16.41%	-10.52%	2.51%
Utilities	-9.48%	-5.93%	-4.95%	5.99%

Operating EPS Change: S&P SmallCap 600

	Q1 2009 OVER Q1 2008	Q2 2009 OVER Q2 2008	Q3 2009 OVER Q3 2008	Q4 2009 OVER Q4 2008
S&P SmallCap600	**-81.69%**	**-57.15%**	**110.73%**	**44.85%**
Consumer Discretionary	-54.20%	-59.97%	41.26%	53.36%
Consumer Staples	81.80%	11.56%	20.45%	22.59%
Energy	-126.53%	-67.30%	111.73%	79.40%
Financials	-240.69%	-150.98%	177.62%	100.88%
Health Care	10.74%	-1.45%	8.14%	22.98%
Industrials	-54.93%	-45.62%	16.86%	29.83%
Information Technology	-133.68%	-95.24%	84.69%	59.33%
Materials	103.50%	-39.48%	13.03%	25.75%
Telecommunication Services	2.87%	-102.48%	9.04%	11.50%
Utilities	-2.83%	0.32%	10.50%	8.09%

Returns

Monthly Returns: S&P 500

MONTH OF	PRICE CLOSE	PRICE CHANGE	1 MONTH % CHANGE	3 MONTH % CHANGE	6 MONTH % CHANGE	1 YEAR % CHANGE
12/2009	1115.10	19.47	1.78%	5.49%	21.30%	23.45%
11/2009	1095.63	59.44	5.74%	7.35%	19.20%	22.25%
10/2009	1036.19	-20.88	-1.98%	4.93%	18.72%	6.96%
09/2009	1057.08	36.45	3.57%	14.98%	32.49%	-9.37%
08/2009	1020.62	33.14	3.36%	11.04%	38.84%	-20.44%
07/2009	987.48	68.16	7.41%	13.14%	19.57%	-22.08%
06/2009	919.32	0.18	0.02%	15.22%	1.78%	-28.18%
05/2009	919.14	46.33	5.31%	25.04%	2.56%	-34.36%
04/2009	872.81	74.94	9.39%	5.68%	-9.90%	-37.01%
03/2009	797.87	62.77	8.54%	-11.67%	-31.59%	-39.68%
02/2009	735.09	-90.79	-10.99%	-17.98%	-42.70%	-44.76%
01/2009	825.88	-77.37	-8.57%	-14.75%	-34.84%	-40.09%
12/2008	903.25	7.02	0.78%	-22.56%	-29.43%	-38.49%

Monthly Returns: S&P SmallCap 600

MONTH OF	PRICE CLOSE	PRICE CHANGE	1 MONTH % CHANGE	3 MONTH % CHANGE	6 MONTH % CHANGE	1 YEAR % CHANGE
12/2009	332.63	26.02	8.49%	4.79%	23.97%	23.78%
11/2009	306.62	7.56	2.53%	1.45%	15.75%	20.83%
10/2009	299.06	-18.37	-5.79%	1.13%	14.61%	3.96%
09/2009	317.43	15.21	5.03%	18.30%	42.71%	-11.99%
08/2009	302.22	6.50	2.20%	14.09%	46.74%	-21.98%
07/2009	295.73	27.40	10.21%	13.33%	26.21%	-20.53%
06/2009	268.32	3.43	1.30%	20.63%	-0.15%	-26.48%
05/2009	264.89	3.96	1.52%	28.61%	4.39%	-32.99%
04/2009	260.93	38.50	17.31%	11.36%	-9.29%	-31.13%
03/2009	222.43	16.47	8.00%	-17.23%	-38.33%	-38.99%
02/2009	205.96	-28.36	-12.10%	-18.84%	-46.83%	-43.37%
01/2009	234.32	-34.41	-12.80%	-18.55%	-37.03%	-37.60%
12/2008	268.73	14.98	5.90%	-25.49%	-26.36%	-31.99%

Buybacks

S&P 500

S&P 500 buybacks rebounded 44% (US$ 34.85 billion) from their record Q2 low (US$ 24.20 billion). Information Technology, the sector accounting for the largest share with 30.23%, increased 121.5% (US$ 10.54 billion from US$ 4.76 billion), but continues to remain 52.1% below the Q3 2008 high (US$ 21.97 billion). Consumer Staples picked up 66.9% (US$ 6.70 billion from US$ 4.01 billion), but remains down 45.02% from its high of US$ 12.18 billion in Q3 2008.

For Q3 2009, there were 195 issues with buybacks, up 15.4% from the 169 issues with buybacks in Q2 2009, and on par with the 193 issues in Q3 2008. For the second quarter in a row, none of the issues made the top 20 historical list for largest stock buybacks. S&P expects buybacks to increase in the Q4 2009 period in the 10% range.

Capital Expenditures were flat for the Q3 over Q2 period, but were down 25.17% for the Q3 2009 over Q3 2008 period, adding an estimated Q4 2009 9.2% gain (over Q3). Cash for the S&P Industrials (Old) set a new record, up 8.6% for the quarter, and up 29% from Q3 2008. Information Technology has 16% of its market value in cash, and Health Care has 17%. Q3 2009 may be the short-term peak as consummated M&A deals start to have an impact, resulting in an estimated Q4 2009 decline of 5-7%.

Dividends

S&P 500

Year-to-date, there have been 235 dividend changes in the S&P 500, equating to US$ 58.5 billion in increases and decreases. For the first three months of 2009, an additional US$ 42 billion in dividends were cut (with a US$ 23.9 billion reduction from Financials, a US$ 8.9 billion cut from General Electric, and a US$ 4.3 billion decrease from Pfizer), setting a new annual record for cuts in just three months. Given the long-term dividend growth rate of 5.56%, even above par increases will take years to make back what has been lost. The impact of the damage in 2008 coupled with the devastating Q1 2009 created the worst year in dollar cuts, amounting to US$ 52.6 billion, and is second in percentage drop (-21.1%) only to the 38.6% decline of 1938.

At the start of 2009, Financials represented 20.5% of all dividend income in the S&P 500, down from the sector's peak of 30% (currently Financials represent 9.0%). While Financials cuts remained the dominant player, dividend cuts were posted across sector lines – with the exception of Consumer Staples. Year-to-date, 33 of the 34 actions in Consumer Staples were positive (Supervalu reduced in October), as the sector became the leading and most consistent payer of dividends, representing 17.3% of the payments to-date.

The most telling statistics are that the number of increases decreased 47.3% for 2009 over 2007 (from 298 to 157), while decreases increased 550% (from 12 to 78). For the year, 201 issues paid more in 2009 than 2008. Last year 224 issues paid more than in 2007, and in 2007 304 issues paid more than in 2006 (the average for the past 20 years is 271).

Within the S&P 500, 28 issues (representing 2.8% of the current dividend payments) are not expected (on an operating basis) to earn as much in 2010 as their current dividend rate, with 13 of those 28 not expected to make as much in 2011 as they are currently paying. That said, the overall view for 2010 dividends is positive. While decreases are expected, S&P believes that improving economic conditions will encourage companies to increase their payouts. The rate is expected to increase to average in the low single digits as companies measure their forward commitment (cash flow), with the second half of the year surpassing the first half, since companies will need time to reassure themselves of their product and financial position.

For the month, 14 issues increased, 0 initiated, 0 decreased, and 0 suspended versus a terrible 11 increases, 0 initiations, 3 decreases, and 4 suspensions for the same period in 2008 and 22 increases, 2 initiations, 2 decreases, and 4 suspensions for December 2007. For 2009, increases continued to decline with decreases less frequent in the fourth quarter. Year-to-date, there were 151 increases, 6 initiations, 68 decreases, and 10 suspensions versus 236 increases, 5 initiations, 40 decreases, and 22 suspensions for 2008 and 287 increases, 11 initiations, 8 decreases, and 4 suspensions for 2007. Payers lagged non-payers, declining 3.88% compared to the non-payers' decline of 7.26%. For 2009, the difference was extremely large, at 26.18% for payers versus 65.32% for non-payers. From 1979, based on a portfolio of S&P 500 payers versus non-payers, payers have done better by 1.45% annualized.

Outside of the S&P 500 (NY, ASE, NASD common) dividends continued to improve from the bottom. December increases stabilized, with 217 increases compared to 145 increases in November, slightly down from the 220 increases in December 2008. On the downside, there were 21 decreases compared to 34 decreases in November 2009 and 101 issues that decreased in December 2008.

Issue Indicated Dividend Rate Change: S&P 500

	INCREASES	INITIALS	DECREASES	SUSPENSIONS
2009: December	14	0	0	0
2008: December	11	0	3	4
2007: December	22	3	2	0
2006: December	32	1	0	0

Dividend Total Return Performance: S&P 500

	Average S&P 500 Payers	Average S&P 500 Non-payers
Month - average change	3.88%	7.26%
Year-to-date	26.18%	65.32%
Issues	363	137
Average Yield	1.95%	

World Markets

Global markets finished the year positive, picking up another 2.32% in December to post a +34.03% 2009 return. With the exception of Morocco's 1.65% decline, all markets posted positive gains for the year. While the 2009 gains were impressive, they were no match for the 44.01% decline of 2008. Looking over the two-year period, all markets remained well in the red with the composite down 24.96%. Overall, 2009 has added US$ 8.12 trillion into the pockets of investors, but since 2008 the pockets are still US$ 8.83 trillion short.

For the month, emerging markets gained 3.85%, with 16 of the 20 markets increasing. The best performing market was Turkey, gaining 19.04% for the month, while Peru was the worst performer, declining 5.42%. The year saw 19 of the 20 markets up, with three markets posting positive two-year returns: Chile (+8.32%), Peru (+2.78%), and Israel (+2.41%). Developed markets were also positive, posting a 2.12% gain in December with 18 of the 25 markets increasing. For the year, all markets remained strongly in the double-digit category except for Japan (+3.83% for 2009), with all 25 negative from 2007.

S&P Global Broad Market Index (BMI): Emerging, December 2009

BMI MEMBER	1-MONTH	3-MONTHS	1-YEAR	2-YEARS
Global	**2.32%**	4.14%	34.03%	-24.96%
Global Ex-U.S.	**2.09%**	3.34%	40.13%	-26.60%
Emerging	**3.85%**	9.59%	80.27%	-18.37%
Turkey	**19.04%**	9.73%	99.60%	-25.11%
Taiwan	**9.07%**	9.74%	84.67%	-5.66%
Chile	**7.50%**	14.84%	83.99%	8.38%
Thailand	**7.04%**	2.50%	72.77%	-14.85%
Egypt	**6.02%**	-7.92%	35.55%	-40.21%
Israel	**5.77%**	13.68%	56.78%	2.41%
Indonesia	**4.96%**	2.99%	130.07%	-13.26%
South Africa	**4.93%**	9.13%	53.74%	-11.46%
Russia	**4.78%**	9.23%	106.63%	-45.60%
India	**3.60%**	6.80%	94.14%	-31.11%
Philippines	**2.32%**	10.74%	71.52%	-23.62%
Mexico	**2.10%**	13.08%	55.81%	-14.64%
Brazil	**1.86%**	13.01%	125.11%	-3.99%
China	**1.05%**	10.40%	66.26%	-22.20%
Morocco	**0.60%**	-2.58%	-1.65%	-17.24%
Malaysia	**0.33%**	5.00%	46.65%	-18.94%
Hungary	**-1.40%**	3.21%	72.97%	-35.13%
Poland	**-1.97%**	10.64%	41.90%	-41.50%
Czech Republic	**-5.05%**	-7.58%	23.01%	-34.65%
Peru	**-5.42%**	-0.58%	79.29%	2.78%

S&P Global Broad Market Index (BMI): Developed, December 2009

BMI MEMBER	1-MONTH	3-MONTHS	1-YEAR	2-YEARS
Developed	**2.12%**	**3.47%**	**29.64%**	**-25.74%**
Developed Ex-U.S.	**1.66%**	**1.91%**	**32.84%**	**-28.36%**
Luxembourg	**12.81%**	17.03%	76.73%	-36.84%
Korea	**8.04%**	1.83%	67.25%	-26.25%
Singapore	**5.74%**	8.87%	76.75%	-16.83%
Norway	**4.77%**	14.90%	91.41%	-35.04%
New Zealand	**4.70%**	1.69%	40.44%	-33.22%
Canada	**3.31%**	5.92%	57.53%	-19.72%
Netherlands	**3.28%**	3.76%	41.66%	-29.73%
United States	**2.66%**	5.32%	26.05%	-22.70%
United Kingdom	**2.52%**	5.77%	39.55%	-31.42%
Australia	**1.67%**	4.46%	72.37%	-20.85%
Hong Kong	**1.61%**	5.59%	67.10%	-22.93%
France	**1.61%**	0.61%	27.21%	-29.62%
Ireland	**1.59%**	0.13%	44.75%	-56.49%
Switzerland	**1.48%**	3.04%	24.50%	-13.59%
Italy	**1.08%**	-3.13%	23.09%	-41.65%
Germany	**1.01%**	2.28%	24.23%	-34.95%
Finland	**0.67%**	-1.72%	17.52%	-49.29%
Japan	**0.16%**	-3.86%	3.83%	-26.51%
Sweden	**-0.30%**	4.68%	66.00%	-22.28%
Belgium	**-0.79%**	0.28%	54.47%	-46.82%
Denmark	**-1.43%**	-1.53%	40.60%	-31.10%
Portugal	**-1.72%**	-0.62%	35.02%	-37.19%
Spain	**-2.39%**	-0.69%	29.02%	-26.24%
Austria	**-3.66%**	-6.78%	57.02%	-45.54%
Greece	**-8.22%**	-20.67%	22.10%	-59.09%

Howard Silverblatt
Senior Index Analyst
212.438.3916
howard_silverblatt@sandp.com

U.S. Equities Market Attributes is a snapshot of the U.S. market, as measured by the S&P 500 and the S&P SmallCap 600, taken at the end of each month. It seeks to highlight those statistical factors that have impacted market performance over the course of the month, such as stock buybacks, cash levels, and dividend payments.
www.standardandpoors.com/indices