

S&P 500® February Price Return: +2.85%

S&P SmallCap 600® February Price Return: +4.22%

The Market

S&P 500

The S&P 500 posted a 2.85% gain in February, putting a dent in its 3.70% January decline. Eight of the ten sectors were up for the month, with Consumer Discretionary leading the group posting a 5.30% gain followed by Industrials increasing 4.22%. Both Telecommunications and Utilities were down with returns of -1.30% and -1.86%, respectively. Health Care was basically flat for the month at +0.01%. Year-to-date, the index is down 0.95%, with five sectors up and five down.

Low trading volume remained for most of February. For the month's 19 trading days, four days were up at least 1% and two were down at least 1%. Volatility continued in early February for the index with two +1% days and one 3% decline in the first week of the month – the prior 3% decline was on June 22, 2009 (-3.06%). Volatility, however, returned to a lower level after the mid-month mark, as market and economic uncertainty returned. The VIX ended the month at 19.56, down from the 24.62 January close, and the 21.68 close at year-end 2009.

S&P SmallCap 600

Early in the month, the S&P SmallCap 600's reaction to poor global economic news drove the index down 3.88%, reminiscent of its 4.34% three-day decline in January. However, as headlines gave way to facts, and the dollar continued to improve, the S&P SmallCap 600's issues went on to gain 6.57% for the remainder of the month, producing a broad +4.22% February return. Breadth was strong with 408 issues up compared to January's 188 issues increasing. Consumer Discretionary issues were the best performers for the month (+8.26%); the sector leads the index year-to-date with a +6.62% return. Materials was the only sector to post a decline for the month with a return of -0.31%. Materials remains down 8.30% year-to-date, second only to Telecommunications, which is down 16.12% (the sector is up 0.71% for February). P/Es based on 2010 estimates remained moderate (but high when compared to the S&P 500), as Financials started to climb back into the positive side, but still continue to post a 28.9 estimated P/E.

Percent Price Change: S&P 500

	FEBRUARY	3-MONTHS	1-YEAR	2-YEARS	5-YEARS	FROM	10-YEARS
	1/29/2010	11/30/2009	2/27/2009	2/29/2008	2/28/2005	3/24/2000	ANNUALIZED
S&P 500	2.85%	0.81%	50.25%	-16.99%	-8.23%	-27.69%	-2.11%
Consumer Discret	5.30%	6.62%	73.80%	-2.22%	-9.65%	-15.83%	-0.72%
Consumer Stpls	2.70%	0.75%	31.67%	-1.64%	16.01%	67.07%	4.80%
Energy	1.88%	-3.68%	27.70%	-26.99%	19.27%	99.78%	7.87%
Financials	3.41%	0.21%	95.18%	-42.80%	-50.46%	-40.94%	-3.33%
Health Care	0.01%	2.35%	36.66%	-4.19%	4.25%	13.62%	1.63%
Industrials	4.58%	4.47%	69.06%	-23.49%	-11.28%	-7.97%	0.56%
Info Tech	4.02%	0.55%	64.20%	2.27%	13.09%	-64.00%	-8.37%
Materials	4.22%	-3.47%	63.49%	-25.12%	-0.38%	39.44%	4.11%
Telecomm Svcs	-1.30%	-6.39%	6.30%	-25.15%	-14.54%	-67.58%	-9.74%
Utilities	-1.86%	-2.01%	15.21%	-22.71%	0.28%	-0.45%	0.00%
S&P Asia 50	-0.43%	-1.63%	67.31%	-15.66%	38.27%	42.90%	4.15%
S&P Europe 350	-0.42%	2.52%	40.82%	-22.56%	-7.83%	-37.81%	-4.15%
S&P Global 1200	1.24%	-1.73%	52.28%	-21.89%	-1.83%	-17.58%	-1.07%
S&P LAC 40 (US\$)	4.77%	-4.64%	95.81%	-13.88%	146.89%	239.41%	13.81%
S&P TOPIX YEN	-1.09%	7.15%	19.79%	-35.00%	-20.72%	-47.16%	-6.52%
S&P/TSX 60	4.97%	0.07%	39.06%	-14.40%	27.94%	14.12%	2.73%
S&P/ASX 50	1.78%	-1.06%	37.24%	-12.85%	13.27%	42.58%	4.02%

Percent Price Change: S&P SmallCap 600

	FEBRUARY	YTD	3-MONTHS	1-YEAR	2-YEAR	3-YEAR	FROM
	2010	2/26/2010	(11/30/2009)	(2/27/2009)	(2/29/2008)	(2/28/2007)	3/24/2000
S&P 600	4.22%	0.62%	9.16%	62.51%	-7.97%	-17.47%	52.73%
Energy	4.93%	-0.59%	5.82%	109.50%	-14.63%	6.23%	322.50%
Materials	-0.31%	-8.30%	1.29%	91.76%	-26.81%	-30.09%	77.17%
Industrials	4.21%	-0.87%	6.69%	56.54%	-11.05%	-12.19%	86.19%
Consumer Discret	8.26%	6.62%	16.88%	96.66%	-1.69%	-31.49%	54.86%
Consumer Stpls	3.86%	0.78%	13.29%	56.45%	30.01%	21.89%	208.75%
Health Care	1.32%	-0.11%	8.76%	51.39%	-4.84%	-0.74%	122.16%
Financials	2.69%	2.51%	8.95%	43.32%	-26.50%	-47.85%	40.96%
Info Tech	6.59%	-0.43%	9.98%	73.79%	0.26%	-6.18%	-42.27%
Telecomm Svcs	0.71%	-16.12%	-11.04%	-26.28%	-69.75%	-85.46%	-98.21%
Utilities	0.76%	-3.15%	2.85%	16.72%	3.82%	-6.64%	110.81%

Breadth

Monthly Breadth: S&P 500

PERIOD	UP ISSUES	UNCHANGED ISSUES	DOWN ISSUES	AVERAGE % CHANGE	TOP 10 BY MKT VAL % AVG CHG	TOP 25 BY MKT VAL % AVG CHG	TOP 50 BY MKT VAL % AVG CHG	S&P 500 % CHANGE
Feb,'10	377	2	121	3.92	3.13	2.59	2.04	2.85
Jan,'10	133	1	366	-3.16	-2.62	-3.92	-2.89	-3.70
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

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
Feb,'10	4.84	408	9.82	190	-5.71	5.31	7.03	4.22
Jan,'10	-2.38	188	9.57	408	-7.91	-3.02	-1.25	-3.45
Dec,'09	8.73	536	10.38	63	-5.14	9.73	8.78	8.49
Nov,'09	2.59	346	9.35	254	-6.61	4.48	-0.50	2.53

Earnings

Operating EPS Change: S&P 500

QUARTERTLY CHANGE	Q2 2009	Q3 2009	Q4 2009	Q1 2010
	OVER	OVER	OVER	OVER
	Q2 2008	Q3 2008	Q4 2008	Q1 2009
S&P 500	-18.85%	-1.12%	17966.84%	69.56%
Consumer Discretionary	65.35%	157.35%	1019.15%	676.41%
Consumer Staples	8.11%	4.62%	8.62%	9.24%
Energy	-66.26%	-71.39%	49.80%	1621.39%
Financials	196.09%	124.71%	112.56%	439.59%
Health Care	4.13%	10.11%	19.56%	10.55%
Industrials	-37.18%	-40.63%	-19.67%	10.31%
Information Technology	-20.55%	3.03%	122.00%	73.09%
Materials	-64.80%	-33.90%	142.73%	143.17%
Telecommunication Services	-16.41%	-10.58%	-2.30%	-4.20%
Utilities	-5.93%	-4.99%	6.85%	9.58%

Operating EPS Change: S&P SmallCap 600

	Q2 2009	Q3 2009	Q4 2009	Q1 2010
	OVER	OVER	OVER	OVER
	Q2 2008	Q3 2008	Q4 2008	Q1 2009
S&P SmallCap600	-57.13%	-35.55%	357.36%	401.24%
Consumer Discretionary	-59.66%	358.06%	280.44%	218.62%
Consumer Staples	11.56%	29.63%	-3.38%	-19.54%
Energy	-67.30%	-81.54%	117.78%	294.31%
Financials	-150.98%	-402.69%	111.13%	159.01%
Health Care	-1.77%	31.90%	14.14%	18.67%
Industrials	-45.62%	-32.85%	5.46%	47.89%
Information Technology	-95.01%	-1.50%	396.41%	435.09%
Materials	-39.48%	-12.02%	197.43%	26522.46%
Telecommunication Services	-102.48%	-75.38%	112.84%	-48.13%
Utilities	0.32%	-42.44%	14.35%	13.64%

Returns

Monthly Returns: S&P 500

MONTH OF	PRICE CLOSE	PRICE CHANGE	1 MONTH % CHANGE	3 MONTH % CHANGE	6 MONTH % CHANGE
02/2010	1104.49	30.62	2.85%	0.81%	8.22%
01/2010	1073.87	-41.23	-3.70%	3.64%	8.75%
12/2009	1115.10	19.47	1.78%	5.49%	21.30%
11/2009	1095.63	59.44	5.74%	7.35%	19.20%
10/2009	1036.19	-20.88	-1.98%	4.93%	18.72%
09/2009	1057.08	36.45	3.57%	14.98%	32.49%
08/2009	1020.62	33.14	3.36%	11.04%	38.84%
07/2009	987.48	68.16	7.41%	13.14%	19.57%
06/2009	919.32	0.18	0.02%	15.22%	1.78%
05/2009	919.14	46.33	5.31%	25.04%	2.56%
04/2009	872.81	74.94	9.39%	5.68%	-9.90%
03/2009	797.87	62.77	8.54%	-11.67%	-31.59%
02/2009	735.09	-90.79	-10.99%	-17.98%	-42.70%

Monthly Returns: S&P SmallCap 600

MONTH OF	PRICE CLOSE	PRICE CHANGE	1 MONTH % CHANGE	3 MONTH % CHANGE	6 MONTH % CHANGE
02/2010	334.70	13.56	4.22%	9.16%	10.75%
01/2010	321.14	-11.49	-3.45%	7.38%	8.59%
12/2009	332.63	26.02	8.49%	4.79%	23.97%
11/2009	306.62	7.56	2.53%	1.45%	15.75%
10/2009	299.06	-18.37	-5.79%	1.13%	14.61%
09/2009	317.43	15.21	5.03%	18.30%	42.71%
08/2009	302.22	6.50	2.20%	14.09%	46.74%
07/2009	295.73	27.40	10.21%	13.33%	26.21%
06/2009	268.32	3.43	1.30%	20.63%	-0.15%
05/2009	264.89	3.96	1.52%	28.61%	4.39%
04/2009	260.93	38.50	17.31%	11.36%	-9.29%
03/2009	222.43	16.47	8.00%	-17.23%	-38.33%
02/2009	205.96	-28.36	-12.10%	-18.84%	-46.83%

Dividends

S&P 500

February is typically the best month for dividends – and this February was no exception. For the month, 45 issues increased, 2 initiated, 0 decreased and 1 suspended versus February 2009 (one of the worst months in S&P 500 history) with 30 increases, 0 initiations, 18 decreases, and 5 suspensions versus 47 increases, 3 initiations, 0 decreases, and 2 suspensions for February 2008.

In the last three months, there have been 79 positive announcements and just two reductions, compared to 58 positive announcements and 41 reductions for the same period in 2009. February 2010 payments were down 17.14% from February 2009, and when added to the 11.44% January 2010 decline, there is a year-to-date 15.43% cut for dividend investors. However, the indicated rate (based on declared, but not yet paid) has turned up, and should start to show up with higher payments in Q2 2010. While payments are expected to be up 5.6% over 2009, they will still be 16.6% behind the 2008 payments. Standard & Poor's believes that it will not be until 2012-2013 that payouts reach the 2008 level (unless a few major issues decide to pay, such as AAPL, CSCO, BRK.B and GOOG).

For the month, payers underperformed non-payers: specifically, payers were up 4.15% compared to non-payers which were up 4.74%. Year-to-date, payers are up 1.57% versus non-payers' return of -0.24%.

Dividend data for the month shows that increases are up 44.4% from February 2009, but are still off 34.5% from February 2008. Decreases are down a dramatic 86.3% from February 2009, and when compared to February 2008 they are fewer in number by 25.0%.

Issue Indicated Dividend Rate Change: S&P 500

	INCREASES	INITIALS	DECREASES	SUSPENSIONS
2010: February	45	2	0	1
2009: February	30	0	18	5
2008: February	47	3	0	2
2007: February	53	0	0	0

Dividend Total Return Performance: S&P 500

	Average S&P 500 Payers	Average S&P 500 Non-payers
Month - average change	4.15%	4.74%
YTD	1.57%	-0.24%
12 Month	77.75%	95.15%
Issues	366	134
Average Yield	1.97%	

Buybacks

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Standard & Poor's estimates a 37% increase in Q4 2009 over Q3 2009 buybacks, which is 1% less than Q4 2008 and 66% less than Q4 2007. Looking at issues, MSFT (US\$ 3.87 billion versus US\$ 1.54 billion for Q3 2009), KO (US\$ 1.51 billion versus minor) and PG (US\$ 1.46 billion versus US\$ 0.01 billion) returned, with HPQ increasing (US\$ 2.7 billion versus US\$ 2.1 billion), as CSCO (US\$ 1.37 billion versus US\$ 1.87 billion) and DTV (US\$ 0.08 billion versus US\$ 0.94 billion) reduced. Overall, dollar purchases are ahead by over 39%, but are up 30% void of top issues. Lots of buyback announcements have occurred, but they come down to authorizations and a willingness to get back in the market – actual buys will depend on market conditions. Given that companies are still covering options to prevent dilution, the 2010 strike price expiration schedule relative to the market price may be the base for 2010 buybacks.

Cash

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With almost three-quarters of the issues reported, Q4 is ahead of Q3 holdings by 6.6%, but large consummated M&A Q4 deal issues still have yet to report. Standard & Poor's expects cash levels to decline slightly from the record Q3 2009, but to remain extremely high.

World Markets

Global markets started February positive but lost steam as currency and debt issues grew, adding to political uncertainty. Concern over Greece (-8.30% for the month) was extended to Spain (-7.58%). Emerging markets were up 0.42% in February, with Turkey down 12.52%, while Mexico increased 4.88%. Developed markets were up 1.31% for the month due to a strong U.S. performance; ex/U.S., developed markets were down 0.32%. Global markets ended the month up 1.20% due the strong U.S. gain of 3.17%. The U.S. accounts for 42.13% of all markets, up from 41.12% last month. Ex/U.S., global markets were down 0.18%.

S&P Global Broad Market Index (BMI): Emerging, February 2010

BMI MEMBER	1 MONTH	3 MONTHS	1 YEAR	2 YEARS
Global	1.20%	-0.72%	58.09%	-20.91%
Global Ex-U.S.	-0.18%	-2.74%	61.24%	-24.66%
Emerging	0.42%	-1.27%	90.11%	-17.56%
Mexico	4.88%	1.14%	102.09%	-14.82%
Philippines	4.59%	1.87%	73.13%	-13.20%
Brazil	4.35%	-4.99%	108.41%	-12.45%
Thailand	3.64%	5.25%	85.90%	-20.09%
China	3.25%	-4.53%	75.63%	-14.49%
Peru	2.13%	-8.99%	96.77%	-7.69%
Israel	1.65%	8.78%	55.12%	5.98%
Malaysia	0.82%	0.72%	55.79%	-15.76%
Chile	0.43%	10.11%	68.91%	8.74%
India	0.27%	-0.64%	113.79%	-18.89%
South Africa	-0.19%	-0.81%	78.27%	-8.14%
Morocco	-0.39%	0.83%	5.30%	-29.63%
Egypt	-0.50%	14.30%	81.90%	-39.35%
Indonesia	-3.51%	4.46%	170.47%	-17.04%
Taiwan	-3.58%	-2.06%	75.64%	-18.03%
Poland	-3.84%	-7.25%	116.76%	-38.28%
Russia	-4.07%	2.96%	133.30%	-40.88%
Hungary	-4.80%	-5.68%	166.32%	-28.86%
Czech Republic	-5.05%	-7.05%	65.75%	-36.18%
Turkey	-12.52%	8.16%	121.95%	-14.19%

S&P Global Broad Market Index (BMI): Developed, February 2010

BMI MEMBER	1 MONTH	3 MONTHS	1 YEAR	2 YEARS
Developed	1.31%	-0.65%	54.73%	-21.32%
Developed Ex-U.S.	-0.32%	-3.09%	55.44%	-26.20%
Canada	5.65%	1.43%	74.94%	-20.13%
Luxembourg	3.39%	3.82%	89.98%	-41.04%
United States	3.17%	2.19%	53.86%	-15.40%
Hong Kong	3.10%	-1.59%	69.06%	-14.38%
Australia	2.53%	-3.35%	98.97%	-19.17%
Sweden	2.42%	-0.26%	93.95%	-18.36%
Switzerland	1.58%	0.15%	56.03%	-11.80%
Japan	1.23%	3.42%	31.46%	-21.07%
Singapore	0.74%	0.59%	99.68%	-12.81%
Korea	-0.76%	1.84%	100.80%	-22.84%
New Zealand	-1.33%	-1.69%	64.91%	-31.24%
Belgium	-1.37%	-4.31%	70.16%	-44.55%
Denmark	-1.81%	-0.97%	60.22%	-27.33%
Germany	-2.09%	-9.41%	53.00%	-33.32%
United Kingdom	-2.22%	-4.14%	51.07%	-29.83%
Finland	-2.36%	0.28%	62.53%	-46.90%
France	-2.53%	-7.78%	49.13%	-28.08%
Ireland	-3.20%	-3.23%	70.03%	-57.00%
Austria	-3.37%	-10.21%	83.82%	-43.73%
Norway	-3.55%	-3.11%	86.28%	-33.47%
Netherlands	-4.01%	-4.23%	61.60%	-28.56%
Italy	-5.71%	-12.37%	44.94%	-43.83%
Portugal	-6.15%	-16.63%	33.03%	-38.04%
Spain	-7.58%	-19.87%	41.93%	-33.13%
Greece	-8.30%	-24.98%	30.34%	-60.00%

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