LPL Financial Research

Current Conditions Index

October 7, 2009

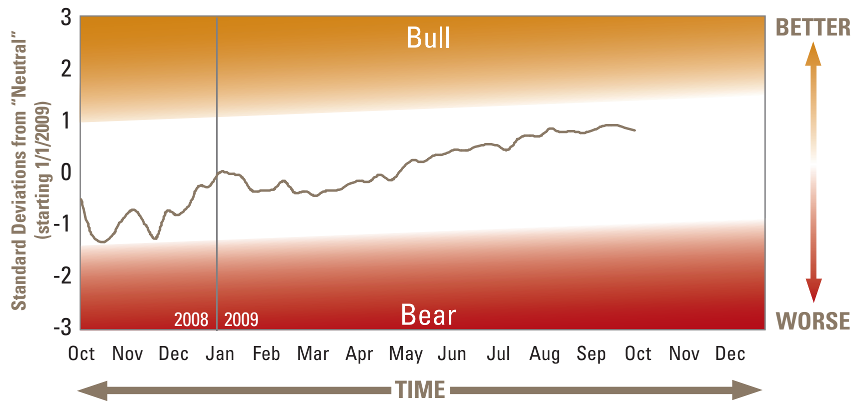
Overview

The LPL Financial Current Conditions Index is a weekly measure of the conditions that underpin our outlook for the markets and economy in 2009. We will publish this weekly index over the course of 2009 to provide real-time context and insight into the trends that shape our recommended actions to manage portfolios. We expect this index will become a useful tool to describe the conditions most relevant to investment decision making in 2009.

This weekly index is not intended to be a leading index or predictive of where conditions are headed, but a coincident measure of where they are right now. We want to track the conditions in real-time to aid in investment decision making. There are thousands of indicators-some lead the economy, some lag, while others merely offer a lot of statistical noise. We chose to create our own index tailored to the current environment to provide the clearest and most useful way to track how conditions are aligned with the expectations embedded in our investment recommendations.

Over the past week, the LPL Financial Current Conditions Index slipped by 0.1 to 0.8. The index reflects current conditions aligned with the high end of our base case outlook, established at the end of last year, for mid-teen gains in the stock market and mid-single digits gains in the bond market in 2009, as measured by the S&P 500 index and the Barclays Aggregate Index respectively. The markets have already achieved these gains. However, CCI implies the economy and markets are on track for an outcome somewhat better than our original base case outlook for 2009.

LPL Research Current Conditions Index



Source: LPL Financial

The biggest deterioration was in the real money supply growth rate, over the past week. Rather than reflecting a recent downturn in the money supply the year-over-year change reflects the drop off of the weeks that followed the failure of Lehman Brothers in mid-September of last year—the event that precipitated the peak of the credit crisis—when the Fed began to take extraordinary efforts to provide liquidity to the short-term credit markets and money market funds by rapidly growing the money supply. The biggest improvement was in Mortgage Applications as the rate on the average conventional 30 year fixed rate mortgage has remained below 5%. Most components of the CCI have improved since the start of the year.

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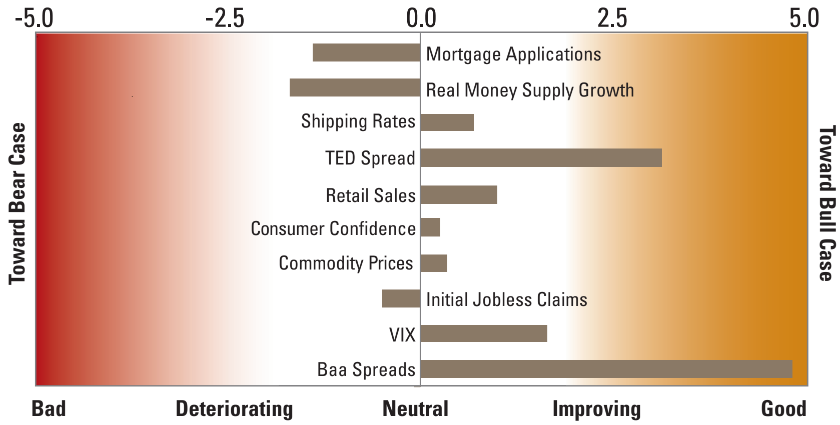
LPL RESEARCH CURRENT CONDITIONS INDEX COMPONENTS

STANDARD DEVIATIONS FROM "NEUTRAL" SINCE 1/1/2009



Source: LPL Financial

CURRENT SNAPSHOT

Component of CCI Index	This Week	One Week Ago	Four Weeks Ago
BAA Spreads	4.8	4.7	4.8
VIX	1.6	2.1	2.1
Initial Jobless Claims	-0.5	-0.4	-1.0
Commodities	0.3	0.3	0.2
Confidence	0.2	0.2	0.1
Retail Sales	1.0	0.9	0.4
TED Spread	3.1	3.1	3.1
Shipping Rates	0.6	0.6	0.7
Real Money Supply Growth	-1.7	-1.1	-0.5
Mortgage Applications	-1.4	-1.8	-1.8
CCI	**0.8**	**0.9**	**0.8**

Source: LPL Financial

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