



LPL Financial Research Current Conditions Index



August 19, 2009

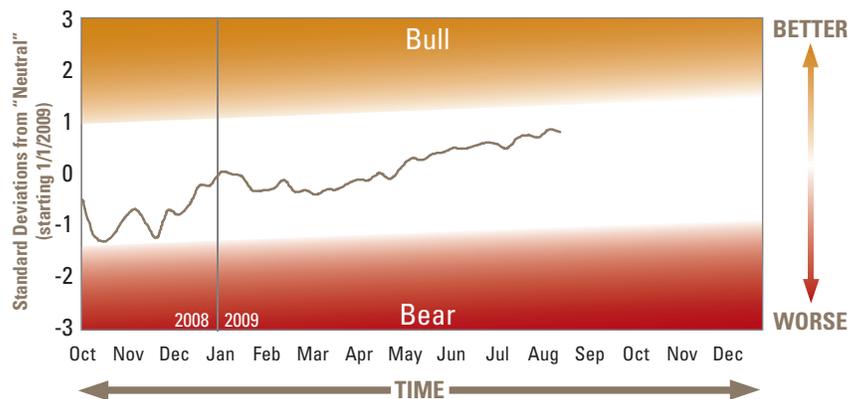
Overview

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.

The LPL Financial Current Conditions Index remained at 0.8 last week, in line with the high for the year. The index reflects current conditions aligned with 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.

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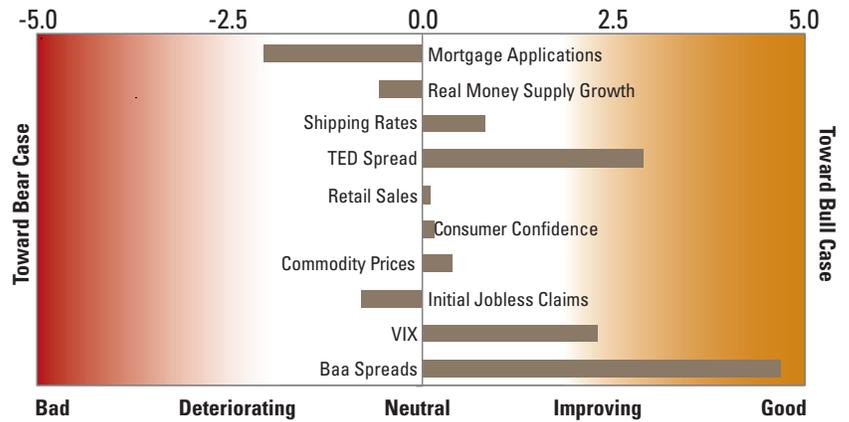


Source: LPL Financial

The main component that demonstrated improvement during the past week was mortgage applications as rates declined. Retail sales slumped on a year-over-year basis to -0.6% but are currently facing the toughest comparisons this year—within a few weeks the sales are likely to turn significantly positive on a year-over-year basis as the trend of improvement evident since January meets easy comparisons with last fall as the peak in the financial crisis was unfolding. Most of the 10 components of the index are in positive territory for the year.

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	4.7	4.9	3.7
VIX	2.3	2.2	2.3
Initial Jobless Claims	-0.8	-0.8	-0.9
Commodities	0.4	0.5	0.2
Confidence	0.2	0.1	-0.1
Retail Sales	0.1	0.6	0.3
TED Spread	2.9	2.8	2.7
Shipping Rates	0.8	0.8	1.1
Real Money Supply Growth	-0.6	-0.6	-0.5
Mortgage Applications	-2.1	-2.4	-2.3
CCI	0.8	0.8	0.7

Source: LPL Financial

IMPORTANT DISCLOSURES

The opinions voiced in this material are for general information only and are not intended to provide or be construed as providing specific investment advice or recommendations for any individual. To determine which investments may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

The fast price swings of commodities will result in significant volatility in an investor's holding.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price.

Stock investing involves risk including loss of principal.

High Yield/Junk Bonds are not investment grade securities, involve substantial risks and generally should be part of the diversified portfolio of sophisticated investors.

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