April 2010

LarsonAllen Financial, LLC
Market and Economic Update

SUMMARY

I) **Equity Markets—**The cyclical equity market rally that we believe began in March of 2009 remains intact. Equity markets are breaking out to the upside after a five month consolidation period. The technical aspects of this rally (new highs/lows and broad participation among industry groups and countries) are impressive. Relatively strong corporate earnings, accommodative central banks around the world, and benign inflation are providing fundamental support for equities. Significant risks to the outlook are still present so caution is still advised.

II) **Credit Markets—**Bond markets remain relatively strong as credit spreads remain tight across the entire credit spectrum, continuing to point toward a slowly improving economic picture. Last month, we discussed the plentiful availability of credit for large corporations through the bond market and the difficult environment for small business credit through the banking system. Recently improving economic figures are fueling a rise in interest rates. Short to intermediate term rates are most likely set to rise over the next six to twelve months.

III) **Economic Data—**Economic data has been volatile and uneven since bottoming in the spring/summer of 2009. We have witnessed short periods of strong economic data followed by periods of weak data. Investors likely will require more consistent positive data to become more confident in a sustainable recovery. The data continues to point toward a slow “U” shaped recovery versus the traditionally sharp “V” shaped resurgence. Credit and housing bust cycle recoveries tend to take longer and progress more slowly than normal post World War II recoveries.

IV) **Risks—**Sovereign debt levels around the world remain worrisome and Greece’s fiscal issue has yet to be resolved. The cost of debt for Greece to finance its deficits continues to climb higher. The world stock markets seem to have moved this risk to the sidelines as improving fundamentals are now the primary focus of the market. While U.S. economic data is pointing toward an improving picture, the U.S. economy is not yet strong enough to withstand any external shocks such as a Greek debt default.

Conclusion—The stock market is following the cyclical recovery playbook while the economy looks to be in a slower “U” shaped recovery. Recent corporate earnings, employment, and retail sales data have provided the foundation for improved market confidence. We would like to see continued improving employment data, expanding bank lending, and increasing money velocity, which would indicate that positive economic feedback loops are beginning to take root. Current indicators only support a tepid economic recovery, slowly improving labor market, contracting bank lending, and decreasing money velocity. One should also monitor the sovereign debt issues as the biggest risk to a cyclical recovery.

MARKET UPDATE

Following are the readings from our four primary indicators.

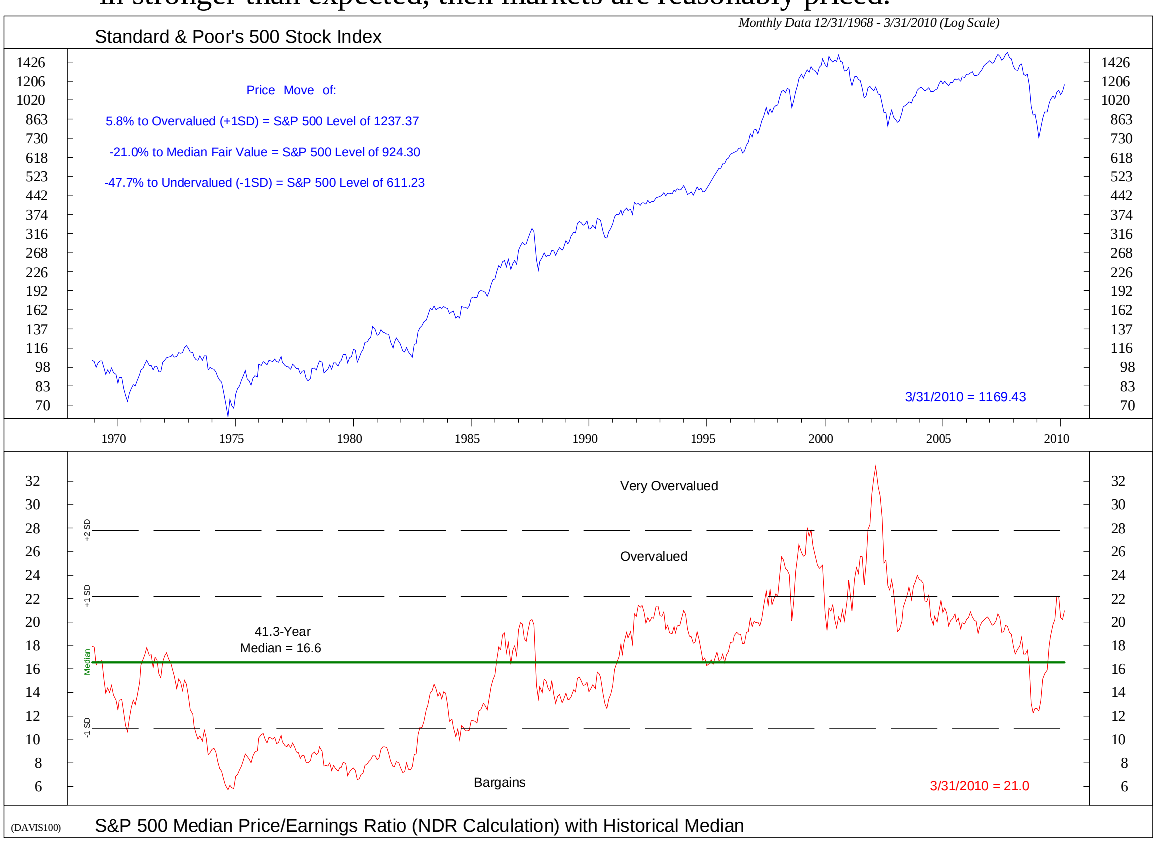
Technical indicators

- Stock markets are breaking out of a five-month sideways consolidation period

S&P 500 – Past 2 Years

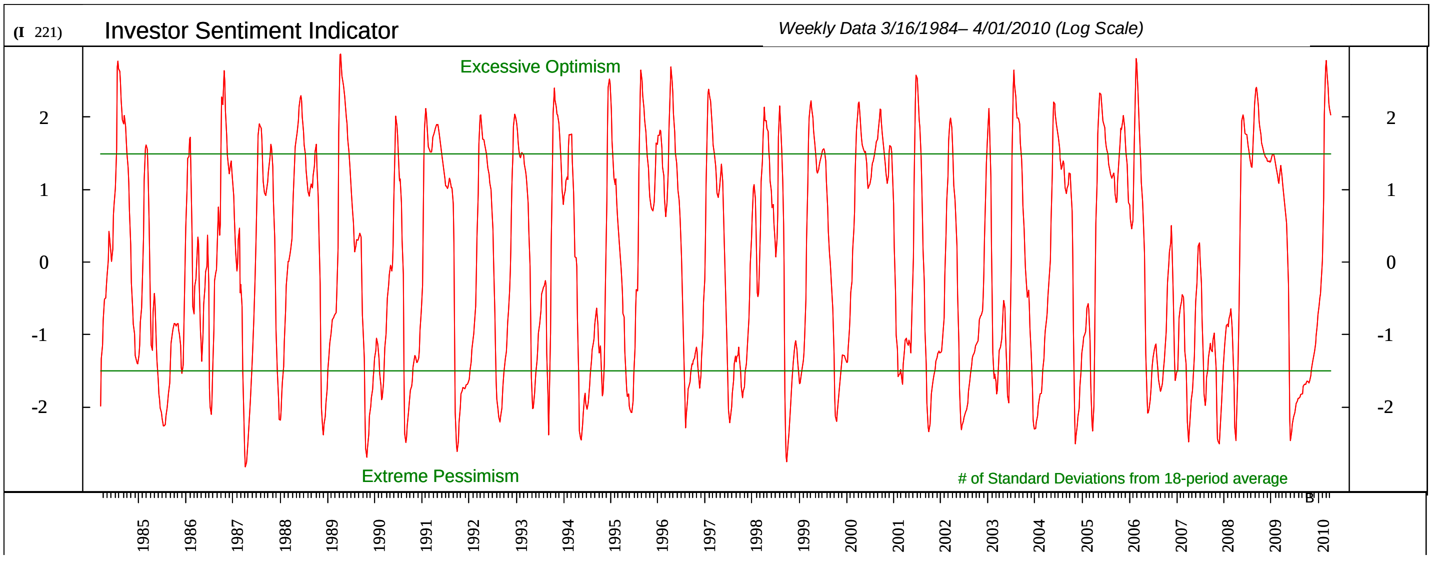
Valuation

- The U.S. stock market looks fully priced on most trailing measures. If forward earnings come in stronger than expected, then markets are reasonably priced.



Sentiment

- Investor sentiment towards the stock market is approaching extreme levels (contrarian signal indicating caution is in order)



Macro

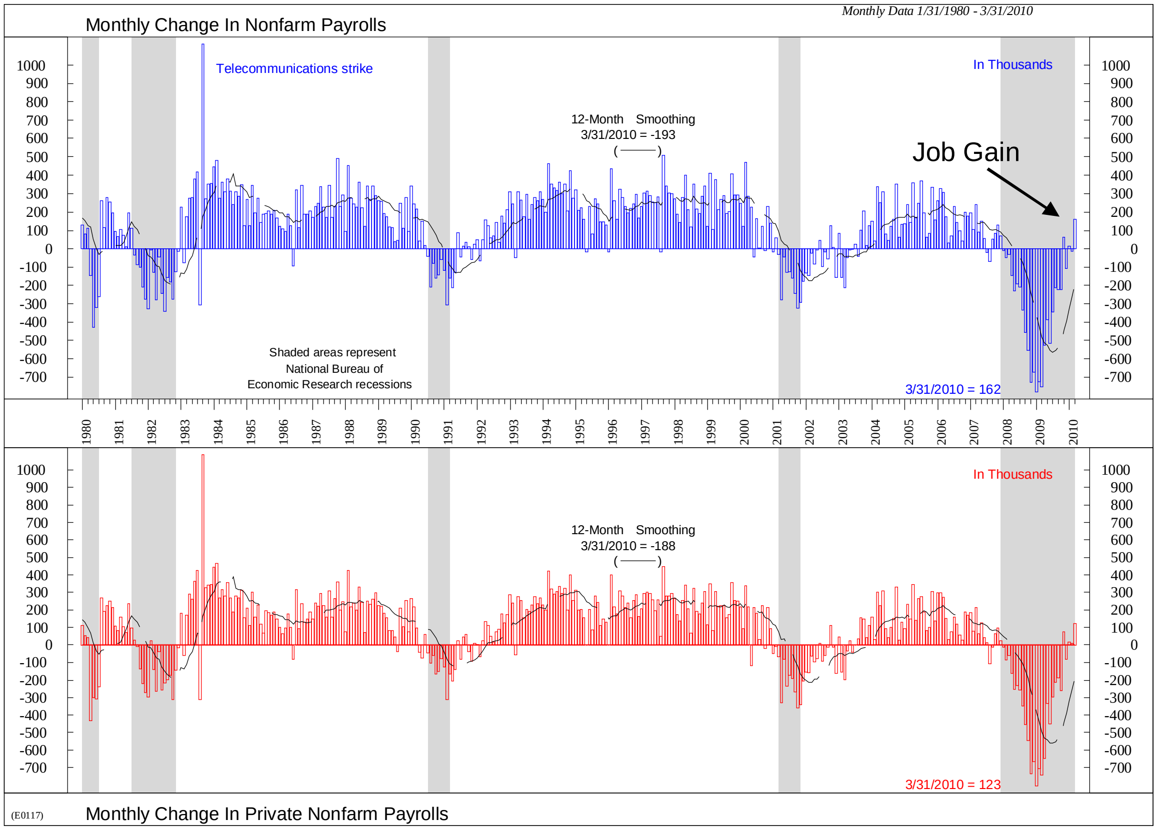
Negatives

- Government deficits ballooning around the world
- Tax rates appear to be going higher
- Although improving, economic indicators remain mixed
- Consumers in a de-leveraging mode
- Housing remains troubled with further foreclosures on the horizon
- Greek government debt issues
- Employment remains weak
- Bank lending remains weak
- Money velocity remains weak

Positives

- Retail sales improving
- Consumer confidence improving
- Consumer debt ratios improving
- Economic data has recovered from the bottom
- Emerging market economies are posting strong growth
- Manufacturing and export data has shown continued improvement

Employment

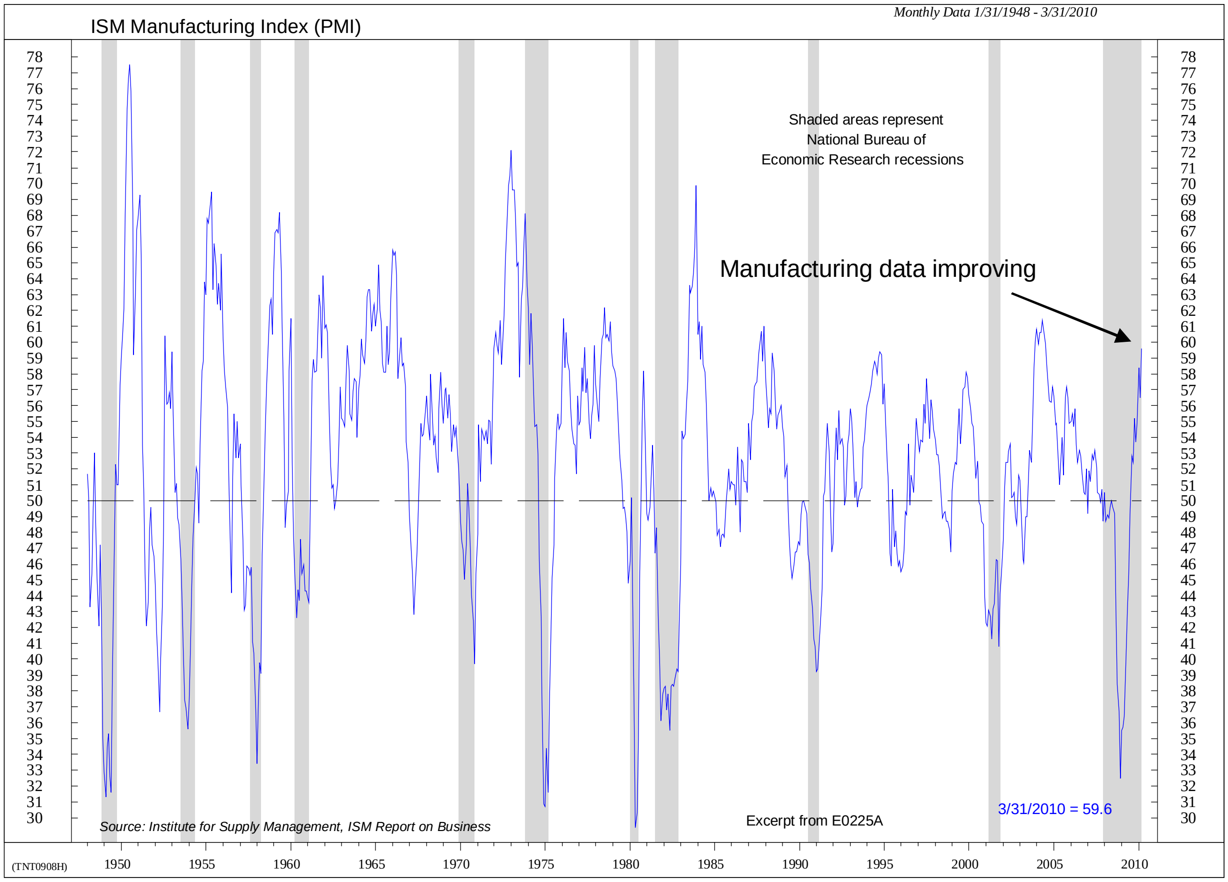


Greek debt

Price of a 5yr CDS on Greek Debt in USD over past 2 years

Risk Premiums back at peak levels

Manufacturing



Although risks continue to persist for the economic recovery and the markets, both have displayed tremendous resiliency in the face of the worst financial crisis since the Great Depression. Unlike the "U"-shaped economic recovery, the capital markets look to be following the typical "V"-shaped recovery. Strong earnings, strong technical indicators, and accommodative central banks around the world continue to support the cyclical rally in equities. Inflation continues to be tepid and may allow central banks to remain accommodative longer than normal, which would support the cyclical upturn and risk assets. Greek debt issues have yet to be resolved and we suspect they will need to be dealt with before market participants are willing to take on more risk.

This Market and Economic Update is prepared by LarsonAllen Financial, LLC. If you have any questions, please call 1-888-925-2926 and ask to speak with a Senior Wealth Advisor.