



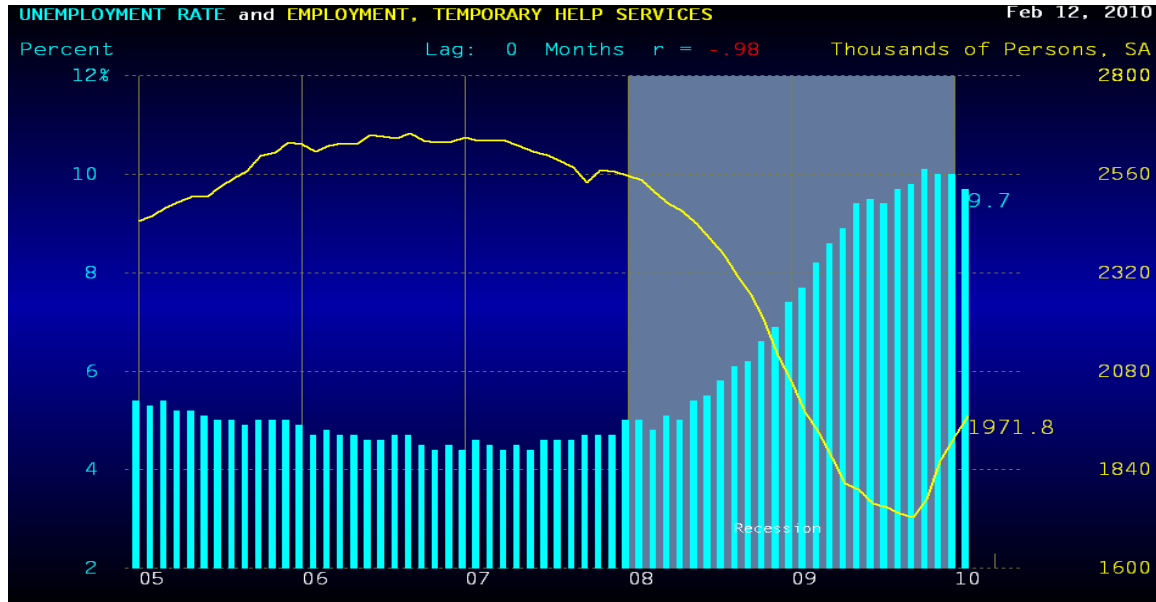
Volatility has returned to the stock market with daily swings of over 100 points on the Dow Jones Industrial Average becoming commonplace. This stock market price action brings back the painful memories of the fall of 2008 when daily swings often registered in the hundreds of points. Yet, despite similar volatility, this market is far different from that of 18 months ago.

The economic data released over the past several weeks has been very encouraging. To begin with, 4th quarter GDP grew at an annualized 5.7%. Although this was higher than most estimates, many pundits have attributed the steep rise to a one-time inventory correction. This analysis ignores the very good news of new orders in our manufacturing complex. Indeed, as you can see from the graph below, new orders are a very good leading indicator for our economy. New orders started to trend lower in 2007 preceding the recession, bottomed in the 1st quarter of 2009 ahead of the turn in the economy, and turned steeply higher in the second half of the year. The current reading is very healthy and signals further GDP expansion in the coming quarters.



Bearish analysts and investors have also been portraying the Nation's labor market as moribund with little prospect for revival. Yet, here again, the underlying data is becoming quite constructive as the leading indicators in the job market have turned positive. Coming out of recessions, employers are generally very cautious to ramp up

hiring and will first turn to temporary help before doing any permanent hiring. Temporary help started to turn higher in the fall and now we have begun to see the unemployment rate fall. Of course, everyone would like to see the fall in unemployment be much more dramatic; nevertheless, the turn in employment is real and sustaining.



Bull markets never end at the early stages of economic recovery. With the Fed maintaining interest rates at historical low levels, it is very unlikely that the economic recovery will stall at this time. It is much more likely that this recovery will gain momentum and become self-sustaining without any further fiscal stimulus. Our expectation is that this latest market correction is just that and the stock market will find its way to make new post-recession highs.

We continue to have a high allocation to dividend-paying stocks as this asset class has the best risk/reward profile. We will continue to monitor the macro-economic climate for any early warning signs that this recovery is losing energy.

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