

MONTHLY ECONOMIC UPDATE

INVESTMENT NEWSLETTER / OCTOBER 2012

October Summary

Following four months of steady gains, investment markets showed signs of wear in October. Stocks, commodities, and real estate fell while fixed income markets were more or less flat. Capital market weakness resulted as the smokescreen of expansionary monetary policy dissipated to reveal fairly weak economic fundamentals. China's growth continued to slow in the third quarter, Europe's recession will be deeper and last longer than originally expected, Japan's Tankan business survey grew more pessimistic, and U.S. corporations disappointed on earnings growth, revenue gains, and guidance for the fourth quarter and 2013.

While investment market retrenchment may be disappointing, a focus on fundamentals provides a much healthier foundation for investment markets than does blind faith in the ECB and Federal Reserve. Furthermore, economic statistics are not devoid of positives. For example, monthly payroll gains are much healthier of late and previous monthly readings were revised materially higher. Housing numbers continue to show improvement, domestic manufacturing is expanding again, and U.S. consumer metrics have been fairly positive. Encouraging consumer data includes accelerating sequential monthly retail sales growth and confidence nearing a post-crisis high.

By way of conclusion, a summary of October would be incomplete without mention of the tragedies unleashed by Hurricane Sandy. The so-called "Frankenstorm" resulted in the evacuation of hundreds of thousands of people, cancellation of thousands of flights, shutdown of mass transit systems, schools, and businesses throughout the northeast, mass power outages for millions, and the first unscheduled

financial market shutdown since the attacks of September 2001. At least 113 lives were lost to Sandy, 43 in New York City alone. Total economic damage, estimated to be in excess of \$50 billion, will make Sandy the second most costly U.S. hurricane since 1900. Katrina, the most costly and third deadliest storm, took the lives of 1,200 people and caused \$108 billion in total damages.

October's Economic Releases

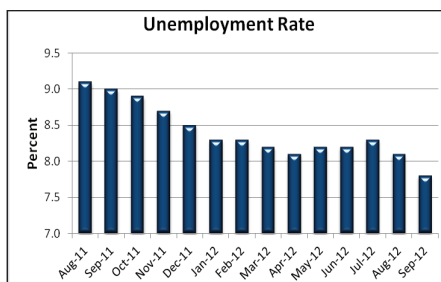
General	Prior	Current
GDP growth	1.3% (Q2)	2.0% (Q3)
Trade balance	-\$42.5 B (Jul)	-\$44.2 B (Aug)
Employment	Prior	Current
Initial jobless claims	392,000	369,000
Continuing claims	3.3 MM	3.3 MM
Change in nonfarm payrolls	192,000 (Aug)	114,000 (Sep)
Unemployment rate	8.1% (Aug)	7.8% (Sep)
Average weekly hours	34.4 (Aug)	34.5 (Sep)
Consumer	Prior	Current
Consumer confidence index (Conf. Board)	61.3 (Aug)	70.3 (Sep)
Retail sales growth (YoY)	6.0% (Aug)	3.1% (Sep)
Change in consumer credit	-\$2.6 B (Jul)	\$18.1 B (Aug)
Manufacturing & Service	Prior	Current
ISM manufacturing index	49.6 (Aug)	51.5 (Sep)
ISM non-manufacturing index	53.7 (Aug)	55.1 (Sep)
Durable goods orders growth	-13.1% (Aug)	9.9% (Sep)
Industrial production growth	-1.4% (Aug)	0.4% (Sep)
Capacity utilization	78.0% (Aug)	78.3% (Sep)
Real Estate	Prior	Current
New home sales	368,000 (Aug)	389,000 (Sep)
Existing home sales	4.8 MM (Aug)	4.8 MM (Sep)
Case-Shiller home price index (YoY)	1.2% (Jul)	2.0% (Aug)
Inflation	Prior	Current
Consumer price index/Core (YoY growth)	1.7%/1.9% (Aug)	2.0%/2.0% (Sep)
Producer price index/Core (YoY growth)	2.0%/2.5% (Aug)	2.1%/2.3% (Sep)



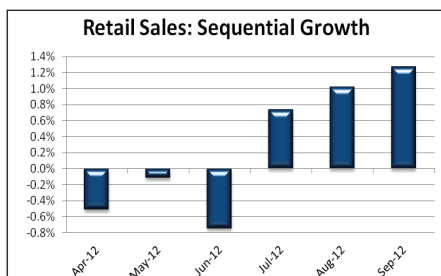
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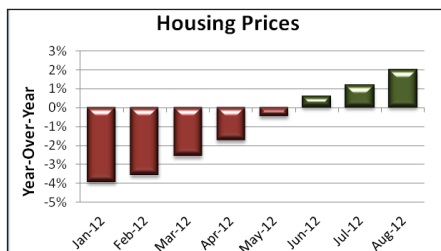
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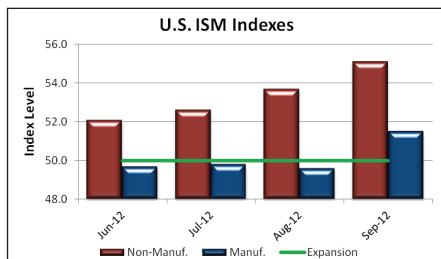
Data Source: U.S. Department of Labor



Data Source: U.S. Department of Commerce



Data Source: S&P/Case-Shiller



Data Source: Institute for Supply Management

Market Returns

The S&P 500 lost 1.8% for the month and is now up 14.3% for the year.

Developed international equity markets, as defined by the MSCI EAFE index, were up 0.8% in October while the MSCI Emerging Markets index fell 0.6%.

Year-to-date, international developed and

emerging markets are up 11.0% and 11.3%, respectively.

In the fixed income market, the Barclays US Aggregate index gained 0.2% for the month and the yield on the 10-year U.S. Treasury bond rose slightly for the month to end at 1.72%. For the year, the Barclays U.S. Aggregate is up 4.2%. Credit spreads tightened somewhat during the month with high yield spreads ending at 5.6%, modestly below the 15 year average. The Barclays High Yield index gained 0.9% in October and is up 13.1% so far this year. International bonds lost 0.4% for the month to finish up 4.7% for the year-to-date.

The Dow Jones UBS Commodity index dropped 3.9% in October and the Dow Jones U.S. Real Estate index gave back 0.5% for the month.

Disclaimers

This market commentary was produced by Summit Financial Resources, Inc., 4 Campus Drive, Parsippany, NJ 07054. Tel: 973-285-3600, Fax: 973-285-3666. Sources of performance and economic statistics: Morningstar® and Bloomberg. Indices are unmanaged and cannot be invested into directly. Investment and market data contained in this newsletter is not an offer to sell or purchase any security or commodity. Standard & Poor's 500 Index (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The MSCI Developed Markets and Emerging Markets Indexes were created by Morgan Stanley Capital International (MSCI) and designed to measure equity market performance in global developed and emerging markets, respectively. The Barclays Aggregate Bond Index is a market capitalization-weighted index comprised of government securities, mortgage-backed securities, asset-backed securities, corporate securities, and a small number of foreign bonds traded in the U.S. It is used to represent the universe of bonds in the domestic market. REITs, Real Estate Investment Trusts, are securities that invest in real estate directly, either through properties or mortgages. REITs receive special tax considerations and typically offer investors high yields, however, have liquidity constraints. Past performance does not guarantee future results. Information

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