

Wednesday, October 22, 2008

Market Snapshot

DJIA	8519.21	-514.45
Nasdaq	1615.75	-80.93
S&P 500	896.86	-58.19
10-Year*	3.6052%	1 2/32
30-Year*	4.0635%	2 21/32
Euro	\$1.2833	-0.0229
Nymex Crude	\$66.75	-4.13

Source: Dow Jones/Reuters Group PLC *as of 4 PM ET

Stocks

Yet another rout for U.S. stocks sent the Dow Jones Industrial Average more than 500 points lower. Corporate earnings and government data have convinced investors that the unfreezing of the credit markets came too late to save economies from deep and lasting recession. Funds and investors already stressed by losses are being pushed into selling more. Industrial, technology and other diversified firms are warning that a global economic slowdown will crimp profits. "This is worse than 1987," said Michael Schwartz, chief options strategist at Oppenheimer & Co. "This is worse because of the length of time it's taking. There's greater volatility with a longer time period elapsing until we can say we've hit bottom."

Treasuries

Treasuries advanced, pushing yields to the lowest in two weeks, as signs that a U.S. economic slowdown will infect other countries led investors to the safety of government debt. "U.S. and European bond prices [are] up on renewed aversion trade," said Thomas diGaloma, head of U.S. government-bond trading at Jefferies & Co. In the U.S., mortgage-application volume fell to the lowest in eight years as homeowners felt the pinch of falling home values and prospective buyers faced still-tight credit conditions.

Forex

The dollar remains king in the New York afternoon session, near overnight highs against the euro and U.K. pound on fears of recession, expectations that the interest rates of those higher-yielders will soon be slashed and as investors repatriate assets around the world. Meanwhile, another slump in U.S. stocks has supported similar safe haven flows into the low-yielding yen from the dollar and euro, which recently struck intraday lows versus Japan's currency.

Tomorrow's Headlines

US Stocks Sink On Cautious Guidance

Fears about the depths of a potential global recession and its impact on corporate earnings and oil prices drove U.S. stocks sharply lower.

In the past two sessions, the recent wave of corporate earnings has shown the credit crisis is affecting more than just banks. Industrial, technology and other diversified firms have posted tepid results, while warning that future quarters could be under more significant pressure thanks to a global economic slowdown.

"Companies are saying there's a total lack of visibility. They aren't willing to stick their neck out and I don't blame them. There is no reward for being a hero in your projections or thought process," said Michael Petroff, a portfolio manager with Heartland Advisors.

And, as fears about global demand escalate, oil prices have steadily dropped, including a more than \$5-a-barrel decline Wednesday. With the drop, crude oil futures fell to a fresh 16-month low, pressured by a surging dollar and significant gains in U.S. petroleum stockpiles.

Wachovia Swings To Heavy Net Loss

Wachovia Corp. (WB) reported a heavy net loss of \$23.7 billion in the third quarter, driven by large one-time charges of \$18.8 billion ahead of its planned fourth-quarter merger with Wells Fargo & Co. (WFC).

The troubled Charlotte, N.C., bank, whose fate was recently thrown into limbo as it courted two potential suitors, provided ample detail of the crumbling condition that finally pushed it to sell itself. Wachovia's loss of \$11.18 a share marked a steep drop from prior-year net income of \$1.62 billion, or 85 cents a share.

Wachovia reported outflows of deposits from both retail and commercial customers, as well as sharply rising losses from its \$120 billion portfolio of so-called Pick-A-Pay mortgages. It said total losses from its Pick-A-Pay loans, which allow some borrowers to increase their loans' balances by paying less-than-full monthly interest payments, could now total 22% of the portfolio.

In addition to the \$18.8 billion in goodwill write-downs, or unrealized losses in value of intangible assets, such as a franchise's brand name, Wachovia reported \$8.71 billion in other charges.

Crude Settles At 16-Month Low

Oil futures closed Wednesday at a 16-month low, slumping alongside stock markets and pressured by significant gains in U.S. petroleum stockpiles.

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Tomorrow's Calendar

8:30 a.m.	Oct 18 Jobless Claims Weekly (expected 463K)
10:00 a.m.	Oct 11 DJ-BTMU Business Barometer Weekly (previous +0.1%)
10:35 a.m.	Oct 17 Natural Gas Inventories (in billion cubic feet) Total Working Gas in Storage (previous 3277)

Tomorrow's Headlines

continued

Light, sweet crude for December delivery - the new front month - settled down \$4.13 at \$66.75 a barrel on the New York Mercantile Exchange. Oil last settled lower on June 13, 2007.

Brent crude on the ICE Futures exchange settled \$5.20 lower at \$64.52 a barrel.

Nymex crude is down more than \$33 in October and \$78 from its July record close. The force behind the decline has been contracting demand in wealthier industrialized nations, combined with concerns a global recession could depress worldwide consumption next year.

Economic worries were reflected in the stock market, which lately has traveled in alignment with oil prices. The Dow Jones Industrial Average was down more than 400 points when Nymex pit trading ended for the day.

Merck Widens Cost Cuts, Wyeth Net Near Flat

Merck & Co. (MRK) embarked on another round of cost cuts as it grapples with a sales slowdown for top drugs and vaccine manufacturing glitches.

Merck disclosed its new restructuring program as it and reported a decline in third-quarter earnings.

Rival Wyeth (WYE) reported roughly flat earnings, and both companies are feeling the effects of generic competition and other challenges. Also, Wyeth disclosed delays in conducting late-stage patient trials for an experimental Alzheimer's disease treatment.

The companies, however, reported earnings that met or exceeded Wall Street expectations when one-time costs were stripped out.

Merck, Whitehouse Station, N.J., said Wednesday it planned to eliminate about 7,200 positions worldwide by the end of 2011. This comprises 6,800 active employees — or about 12% of its current work force — plus 400 vacancies that won't be filled. The restructuring is intended to yield cumulative pretax savings of \$3.8 billion to \$4.2 billion through 2013.

OPEC President Says Must Consider Output Cut

Calling global oil markets oversupplied, OPEC president Chakib Khelil said the group has to consider a production cut, though he declined to say of what magnitude.

Speaking to reporters as he arrived for an emergency meeting of the Organization of Petroleum Exporting Countries here on Friday, Khelil said sluggish demand was already leaving the group unable to sell some of its crude.

"Some of us are not able to sell crude," he said. "Some excess of crude has not been able to get sold by the market."

His comments echo those from the cartel in recent days expressing growing alarm about the slide in oil prices. Benchmark crude futures fell \$5 a barrel in New York on Wednesday, slumping alongside stock markets and pressured by significant gains in U.S. petroleum stockpiles.

Barclays Prices 3-Year Government-Backed Bond

European capital markets took another step toward getting back in action Wednesday after U.K. bank Barclays PLC's (BCS) priced a EUR3 billion, three-year government guaranteed bond issue.

The deal, which priced late Wednesday, paves the way for other U.K. banks to take advantage of the government's guarantee to bring similar issues to market.

The transaction priced at 25 basis points over mid-swaps and was well received by investors, according to Barclays, drawing more than EUR4 billion of orders from investors.

"One objective for this transaction was to establish a high quality, liquid pricing benchmark for this new asset class," said Mark Geller, a syndicate banker at Barclays Capital.

AIG To Freeze Payments To Ex-CEO Sullivan

American International Group (AIG) agreed to freeze some \$19 million in payments to its former Chief Executive Martin Sullivan while New York Attorney General Andrew Cuomo reviews executive compensation and other expenditures paid out as the company neared collapse earlier this year.

The insurance giant also has agreed not to distribute any funds from its \$600 million deferred compensation and bonus pools of its AIG Financial Products subsidiary, which Cuomo has said was largely responsible for the company's near collapse.

The company recently received credit lines of up to \$122.8 billion from the federal government, helping it avoid collapse. Last week, AIG had tapped \$82.9 billion of those credit lines.

"To be clear, it is my position that until the taxpayers are repaid with interest the more than \$120 billion that has been used in the rescue financing of AIG, no funds should be paid out of these pools to any executives," Cuomo said in a letter Wednesday to Edward M. Liddy, AIG's chief executive. "As AIG recovers using taxpayer money, these pools should not be used to reward executives ahead of taxpayers."

Boeing 3Q Net Income Falls

A continuing machinists' strike helped push Boeing Co.'s (BA) third-quarter net income down 38%, as it shut down commercial airplane production at several plants, delaying new aircraft deliveries.

The Chicago aerospace giant said Wednesday that it suspended financial forecasts until the work stoppage ends, citing "the uncertain length of the labor strike."

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Tomorrow's Headlines

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Negotiations, including an outside mediator, are expected to resume Thursday.

Boeing shares fell sharply as investors digested third-quarter numbers that came in short of expectations, the latest in a string of disappointments from the aerospace giant. Investors also pondered the uncertain outlook stemming not only from the strike, but also from a slowing global economy and tight credit markets. Boeing shares were down 6% recently at \$43.58, and have lost more than half their value in the past 12 months.

Speaking during a conference call with analysts, Chief Executive Jim McNerney said Boeing is working to improve business processes throughout the company.

Travelers Net Income Drops On Catastrophe Losses

Travelers Cos. (TRV) reported an 82% drop in third-quarter net income as the commercial and personal insurance provider's claims jumped amid soaring catastrophe losses, while investment losses also hurt results.

Chief Executive Jay Fishman said, "Notwithstanding the significant storm activity in the quarter, our underlying businesses continued to perform strongly."

The results come as the entire insurance sector has been rattled with worries about exposures to the troubled debt and stock markets and catastrophe losses from hurricanes Ike and Gustav.

Travelers, the second-largest U.S. commercial insurer behind American International Group Inc. (AIG), reported net income of \$214 million, or 36 cents a share, down from \$1.2 billion, or \$1.81 a share, a year earlier.

AT&T Net Income Up 5.5% But iPhone Subsidies Hurt

AT&T Inc. (T) reported a 5.5% increase in third-quarter earnings, but results were weighed down by subsidies paid to Apple Inc. (AAPL) for the surprisingly high number of iPhones sold.

The iPhone's success presents a double-edged sword for AT&T. The device has persuaded more free-spending consumers to switch over to its wireless service, but at a cost. The carrier had to pay \$900 million, or 10 cents a share, to Apple for the 2.4 million iPhones sold. The payment keeps the iPhone priced at \$199.

AT&T previously estimated that subsidy costs for the iPhone would be between \$600 million and \$840 million for the entire year. The company said it plans to make it up in the back end through the life of the two-year contract, which is more lucrative than a typical wireless plan.

The company believes it is making an investment in long-term growth, and expects continued strength from the iPhone.

Conoco Earnings Rise 41%

ConocoPhillips' (COP) third-quarter earnings rose 41% compared with last year on strong oil prices, riding out the financial crisis and also offsetting the effects of two hurricanes and a decline in its refining business' profits.

But the storms had an effect on the Houston company's quarterly production, which was 1.75 million barrels of oil equivalent a day, or flat compared with last year.

The third-largest U.S. oil company said its 2008 production would be below its previous guidance of 1.8 million barrels of oil equivalent per day due to the impact of production sharing contracts and the effects of hurricanes Gustav and Ike that forced Conoco and other producers to shutdown operations in the Gulf of Mexico in early September.

Conoco posted net income of \$5.19 billion, or \$3.39 a share, compared with \$3.67 billion, or \$2.23 a share, a year earlier. Revenue climbed 52% to \$70 billion. The latest estimate of analysts polled by Thomson Reuters is, on average, earnings of \$3.06 a share on revenue of \$73.17 billion.

US Pension Benefit Guaranty Lost At Least \$3B

The U.S. Pension Benefit Guaranty Corporation lost at least \$3 billion in stock investments in the 11 months through August, according to the U.S. House of Representatives' Education and Labor Committee.

Documents obtained by the committee show the agency invested a "significant portion of its funds in mortgage-backed securities," according to a statement by the committee.

It is likely that losses will be "substantially worse" after September results are reported, the committee says.

PBGC is a government agency that insures private pension plans, manages failed pension plans, and pays benefits to workers in those plans.

Prosecutors Sue NY Lender, Allege Fraud

Federal prosecutors in Brooklyn sued a Long Island mortgage lender and its president on Wednesday to stop it from writing loans insured by the Federal Housing Administration, saying they submitted false mortgage-insurance applications for more than \$4 million in loans.

The lawsuit, filed in U.S. District Court in Brooklyn, alleges Madison Home Equities Inc., a Carle Place, N.Y., lender, and Nadine Malone, Madison's president, intentionally manipulated loan applications of unqualified borrowers to make it appear they qualified for FHA-insured mortgage loans.

The FHA-backed loans were written under the U.S. Department of Housing and Urban Development's Direct Endorser Program, which is designed to provide loans to qualified first-time and low-income home buyers, refinancings to low-income homeowners and reverse mortgages to older home homeowners.

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Talking Points

Economists Find Some Sense In A Volatile Market

Recent financial turmoil has sent companies and sectors careening up and down indexes. However, a couple of economists say they have developed a method of putting a muffler on all the market noise.

As capital rushes in and out with apparent disregard for fundamentals - largely driven by what traders describe as a volatile mix of irrational fear and blind optimism - economists Hui Tong and Shang-Jin Wei say there is a method to the madness: Companies with less financial flexibility, on average, have declined by twice as much as less-constrained companies as the credit crisis unfolded.

"We were joking about it (that) we could explain the stock market with reasonable accuracy," said Tong of the International Monetary Fund, who coauthored the report with Columbia University economics professor Wei.

To be sure, the credit crisis that erased trillions of dollars in market value appears to be easing and the economy is sliding into what is feared to be a global recession. But financial flexibility will still be a key to future success, the researchers said.

"If you are less financially constrained, you are able to go through the difficult times without suffering too much," Tong said. "You will also be more prepared for the potential recovery."

Wei and Tong analyzed the stock prices of non-financial firms going back to July 2007 using two dimensions: the companies' financial stability based on profitability and size, and their intrinsic demand for external financing. The key in relative performance seemed to be the latter.

For example, tobacco giant Altria Group Inc. (MO), which generates a lot of cash and has few financing needs, has weathered the crisis well, with shares down about 17% this year. Sun Microsystems Inc. (JAVA), on the other hand, is large but is in a capital-intensive business with high intrinsic demand for external financing. Its shares are down about 75%.

Wei said the real power of the model is in showing whether the credit crunch is actually occurring in a given country, and how severe it actually is. In essence, the wider the spread between credit-sensitive companies and less-sensitive companies, the more severe the crisis.

Hedge Funds Turn To Secondary Mkt To Sell Stakes

Growing numbers of hedge-fund investors, desperate to redeem their money and avoid further losses, are turning to a secondary market in which to sell their stakes.

It can be difficult for investors to redeem stakes in hedge funds. A flood of investor-redemption requests has triggered the activation of several hedge funds' automatic "gates," which limit what percentage of a fund's assets can be redeemed in a given quarter. Other funds have voluntarily suspended redemptions altogether, and many people fear that more gates and suspensions are coming.

That concern has forced investors to look for more creative and immediate ways to get out. Right now, buyers can find sellers, and vice versa, using their industry contacts, or use a service called Hedgebay that operates the only secondary market that matches buyers and sellers of hedge-fund stakes.

Discounts on stakes have gotten as high as 50% in some extreme cases. When hedge funds were performing well, Hedgebay transactions would often see the buyer paying a premium for a stake in a well-performing fund. Not anymore.

"Suffice to say that there is little to no trading being done," even at net asset value, said Anastacia Brooks, a spokeswoman for Hedgebay.

Hedgebay has been around since 1999, but said it's never been this busy.

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Talking Points

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That's because redemption season is upon us - many investors had until Sept. 30 to tell their hedge funds they want to withdraw money by the end of the year - and the average hedge fund is down more than 10% this year, according to Hedge Fund Research Inc. The Dow Jones Industrial Average is down more than 30% this year, but hedge fund investors still haven't been happy with just losing less than the market.

For a while, Hedgebay was dominated by investors - either individuals or funds of funds - that were happy with their gains and wanted to sell their stake for a profit, or get out of a poor-performing fund, or before a big blowup. But now, many more pensions and endowments are putting stakes up on Hedgebay. The reasons sometimes have to do with stricter rules pensions and endowments face.

Options Exchanges Hope For SEC-CFTC Merger

If the U.S. Congress decides to make changes to the financial regulatory system - and it very well could, considering the colossal amount of problems in the housing and credit markets - then options exchanges have at least one request to make.

For years, top executives at U.S. options exchanges have urged lawmakers to combine two federal agencies - the U.S. Securities and Exchange Commission and the U.S. Commodity Futures Trading Commission - into one agency.

These executives say the SEC and CFTC share jurisdiction over too many types of options products and, as a result, spend a lot of time sorting out their regulatory boundaries. In the end, that means the exchanges have to wait months and even years to get approval for products they want to offer.

If the SEC and CFTC were to merge, however, a combined agency would be better equipped to deliver quick approval for new products and create a more efficient market, the exchanges say.

What's more, a merger between the two agencies could put the SEC on a path to adopting a more flexible regulatory approach that the CFTC currently uses.

When, and if, congressional lawmakers do pursue changes as a result of the current crisis, they will undoubtedly have a myriad of issues to consider - and most will supersede this issue in importance. The exchanges hold out hope, however, that lawmakers consider merging the SEC and CFTC as part of broader reform efforts.

"It's a very narrow issue, I know," said Bill Brodsky, chairman of the Chicago Board Options Exchange. "But for the CBOE, this is big. It's an impediment to us getting things done in a seamless way."



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Earnings Reports

expected Thursday

Company	FactSet EPS Mean Estimate
1-800-Flowers.com Inc.	-0.1
ABB Ltd.	0.43
Affymetrix Inc.	-0.05
AFLAC Inc.	1
Airgas Inc.	0.83
Alaska Air Grp Inc.	0.9
Albany Intl Corp. C-A	0.49
Alexion Pharms Inc.	0.04
Allscripts-Misys Healthc Solutions	0.16
Altria Grp Inc.	0.45
AMAG Pharms Inc.	-1.12
Anadys Pharms Inc.	-0.27
Apria Healthcare Grp Inc.	0.49
Arch Capital Grp Ltd.	0.87
Arctic Cat Inc.	0.66
Ariba Inc.	0.16
Atlas Copco AB	0.28
Atlas Copco Ab Sp Adr B New	0.28
AU Optronics Corp.	0.35
Avid Tech Inc.	0
Avnet Inc.	0.7
AVX Corp.	0.15
Baldor Electric Co.	0.53
Belden Inc.	0.8
Benchmark Electronics Inc.	0.33
Berkshire Hills Bancorp Inc.	0.5
BJ's Restaurants Inc.	0.11
Black & Decker Corp.	1.28
Bookham Inc.	-0.02
Bottomline Tech Inc.	-0.01
Bristol-Myers Squibb Co.	0.42
Brunswick Corp.	-1.17
Brush Engineered Materials Inc.	0.33
Bucyrus Intl Inc.	0.84
Builders FirstSource Inc.	-0.41
Bunge Ltd.	2.81
Burlington Northern Santa Fe Corp.	1.69
Cabot Microelectronics Corp.	0.46
California Micro Devices Corp.	-0.02

Capstead Mortgage Corp.	0.56
Cash America Intl Inc.	0.65
Cathay General Bancorp	0.39
Cavco Indus Inc.	0.13
Celestica Inc.	0.18
Celgene Corp.	0.37
Center Fincl Corp.	-0.07
Charlotte Russe Hldg Inc.	0.15
Cheesecake Factory Inc.	0.26
Chubb Corp.	1.05
CIBER Inc.	0.13
City Natl Corp.	0.68
CoBiz Fincl Inc.	0.19
Coca-Cola Enterp Inc.	0.47
Coca-Cola Femsa S.A.B. de C.V.	1.02
Columbia Sportswear Co.	1.4
Commercial Vehicle Grp Inc.	0.07
Companhia Vale do Rio Doce	0.72
Computer Programs & Sys Inc.	0.36
Compuware Corp.	0.09
CONMED Corp.	0.33
Consol Energy Inc.	0.51
Cooper Indus Inc.	0.95
Corus Entertain Inc.	0.25
Credit Suisse Grp	0.88
CyberSource Corp.	0.14
Cytokinetics Inc.	-0.36
Daimler AG	1.68
Danaos Corp.	0.44
Data Domain Inc.	0.06
Deckers Outdoor Corp.	1.84
Deluxe Corp.	0.49
DeVry Inc.	0.44
Diamond Offshore Drilling Inc.	2.25
Dice Hldgs Inc.	0.08
Dow Chemical Co.	0.61
DST Sys Inc.	0.93
Duncan Energy Partners L.P.	0.29
DXP Enterp Inc.	0.44
Eastman Chemical Co.	1.34
Ecolab Inc.	0.55
Elan Corp. PLC	-0.14
Electronics for Imaging Inc.	0.24
Eli Lilly & Co.	1.02

EMCOR Grp Inc.	0.66
Empire District Electric Co.	0.79
Emulex Corp.	0.15
EnCana Corp.	1.76
Energen Corp.	0.83
ENSCO Intl Inc.	2.11
Enterprise Products Partners L.P.	0.51
Entrust Inc.	0.02
Equitable Resources Inc.	0.4
F.N.B. Corp.	0.27
Federated Investors Inc.	0.54
First Commonwealth FncI Penn	0.17
Flextronics Intl Ltd.	0.28
Flir Sys Inc.	0.32
Foundry Networks Inc.	0.14
Franklin Resources Inc.	1.49
Frontier Fincl Corp.	0.08
GATX Corp.	0.83
Genesis Lease Ltd.	0.28
Gevity HR Inc.	0.1
Glacier Bancorp Inc.	0.32
Goodrich Corp.	1.12
Greenhill & Co.	0.5
Grupo Televisa S.A. de C.V.	0.42
Gulf Island Fabrication Inc.	0.66
Hanmi Fincl Corp.	0.04
Hansen Medical Inc.	-0.53
Harte-Hanks Inc.	0.29
Hercules Tech Growth Capital Inc.	0.3
Hilb Rogal & Hobbs	0.48
Hittite Microwave Corp.	0.42
Hoku Scientific Inc.	-0.03
Hubbell Inc. C-A	1.11
Hubbell Inc.	1.1
ICT Grp Inc.	0.05
Ikanos Commun Inc.	-0.13
ImClone Sys Inc.	0.28
IMS Health Inc.	0.38
Independent Bank Corp.	0.55
Ingram Micro Inc. C-A	0.23
Insight Enterp Inc.	0.16
Insituform Tech Inc. C-A	0.21
Integrated Device Tech Inc.	0.23

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Earnings Reports

continued

Company	FactSet EPS Mean Estimate
Interactive Brokers Grp Inc.	0.58
Interwoven Inc.	0.16
Invacare Corp.	0.39
ITT Educational Svcs Inc.	1.16
Ixia	0.09
Janus Capital Grp Inc.	0.26
Johnson Controls Inc.	0.73
Journal Commun Inc.	0.15
Juniper Networks Inc.	0.28
Kennametal Inc.	0.54
Kensey Nash Corp.	0.36
L-3 Commun Hldgs Inc.	1.71
Laboratory Corp. of America	1.12
Ladish Co. Inc.	0.49
LAN Airlines S.A.	0.21
Lattice Semicon Corp.	-0.01
Level 3 Commun Inc.	-0.08
Life Time Fitness Inc.	0.55
LSI Indus Inc.	0.04
Mellanox Tech Ltd.	0.23
MEMC Electronic Materials Inc.	0.92
Merit Medical Syss Inc.	0.18
Microchip Tech Inc.	0.41
Microsoft Corp.	0.47
Microtune Inc.	0.05
Mips Tech Inc	0.05
MIPS Tech Inc.	0.05
Monolithic Power Syss Inc.	0.26
Montpelier Re Hldgs Ltd.	-0.39
Morton's Restaurant Grp Inc.	-0.19
Natl Oilwell Varco Inc.	1.31
Natl Penn BancShr Inc.	0.33
NCR Corp.	0.43
NDS Grp PLC	0.67
NETGEAR Inc.	0.25
NetScout Syss Inc.	0.17
New York Times Co. C-A	0.04
NII Hldgs Inc.	0.64
Nintendo Co. Ltd.	0.6
NOVA Chemicals Corp.	1.13
NuSTAR Energy L.P.	2.28
NuSTAR GP Hldgs LLC	0.67
Old Dominion Freight Line Inc.	0.53

Old Republic Intl Corp.	-0.16
Olin Corp.	0.73
Omnicell Inc.	0.1
Openwave Syss Inc.	-0.06
Orthofix Intl N.V.	0.2
Par Tech Corp.	0.1
PerkinElmer Inc.	0.36
Petro-Canada	2.14
Phoenix Tech Ltd.	-0.02
Pool Corp.	0.43
Potash Corp. of Saskatchewan Inc.	3.55
Potlatch Corp.	0.5
Power Integrations Inc.	0.25
Power-One Inc.	-0.01
Precision Drilling Trust	0.52
Preferred Bank Los Angeles	0.19
Premiere Global Svcs Inc.	0.24
ProLogis	0.34
Provident Fincl Svcs Inc.	0.2
Qisda Corp Spon Gdr Reg (443549)	0.04
R.H. Donnelley Corp.	-0.12
Radiant Syss Inc.	0.17
RadioShack Corp.	0.36
Ranbaxy Labs Gdr Reg S	0.06
Raytheon Co.	0.96
Raytheon Corp	0.96
Regal Entertain Grp	0.27
Regis Corp.	0.39
Relnsur Grp of America Inc.	1.61
Relnsur Grp of Amer Inc. C-B	1.61
RightNow Tech Inc.	-0.02
Riverbed Tech Inc.	0.07
Roper Indus Inc.	0.83
Sandy Spring Bancorp Inc.	0.33
ScanSource Inc.	0.46
Seattle Genetics Inc.	-0.26
Secure Computing Corp.	0.04
Shaw Commun Inc.	0.28
Sierra Wireless Inc.	0.29
Signature Bank	0.38
Silicon Image Inc.	0.08
Snap-On Inc.	0.95
Southern Co.	1.02
Spartan Motors Inc.	0.21
Stamps.com Inc.	0.1
Starwood Hotels &	

Resorts Worldwide Inc.	0.54
State Auto Fincl Corp.	0.07
Stericycle Inc.	0.44
Sterlite Indus (India) Ltd.	0.26
Stora Enso Oyj	0.02
SunTrust Banks Inc.	0.61
SuperGen Inc.	-0.1
SVB Fincl Grp	0.74
Swedbank AB	0.75
Synaptics Inc.	0.42
Synovus Fincl Corp.	0.08
Syntel Inc.	0.43
TD Ameritrade Hldg Corp.	0.31
Technitrol Inc.	0.28
Teledyne Tech Inc.	0.78
Tennant Co.	0.5
Terra Indus Inc.	1.46
The Bancorp Bank	0.15
Theravance Inc.	-0.35
Thermo Fisher Scientific Inc.	0.76
TheStreet.com	0.06
TNS Inc.	0.4
TradeStation Grp Inc.	0.18
TransAtlantic Hldgs Inc.	1.23
Trimble Navigation Ltd.	0.33
Triumph Grp Inc.	1.27
UCBH Hldgs Inc.	0.03
Union Pacific Corp.	1.3
United Bankshares Inc.	0.5
United Community Banks Inc.	-0.73
United Parcel Svc Inc.	0.89
Universal Stainless & Alloy Pdts Inc.	0.47
US Airways Grp Inc.	-2.3
Valley Natl Bancorp	0.27
Varian Medical Syss Inc.	0.65
Vasco Data Security Intl Inc.	0.17
VCA Antech Inc.	0.42
VIVUS Inc.	0.01
Washington Real Estate Invest Trust	0.14
Wesco Intl Inc.	1.39
Western Digital Corp.	0.82
World Acceptance Corp.	0.67
Xerox Corp.	0.29
YRC Worldwide Inc.	-0.03
Zimmer Hldgs Inc.	0.9