KEYSTONE
WEALTH MANAGEMENT

Crisis Conditions Index

understanding a road to recovery

April 29, 2009

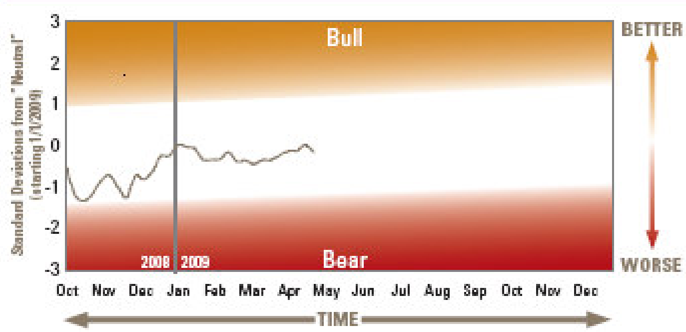
Overview

The LPL Financial Crisis 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 merely 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 Crisis Conditions Index weakened over the past week, the first contraction in the index since the start of March. The stock market rally has paused over the past week, perhaps reflecting this break in the trend over the last two months. The decline of 0.2 leaves the index just below where it started the year—aligned with our base case for the economy and forecast for modest gains in stocks and bonds this year. We will be watching closely for any measurable impact of the Swine Flu and other potential shocks to the fragile economic stability reflected in the CCI.

LPL Research Crisis Conditions Index



Source: LPL Financial

Last week's decline of 0.2 was led by:

- A drop in retail sales after recent weeks of gains (perhaps related to the shift in the week of Easter compared with last year),
- A pullback in new mortgage applications after weeks of surging application volumes as mortgage rates dropped below 5%, and
- A rise in the VIX as stock market volatility ticked up.

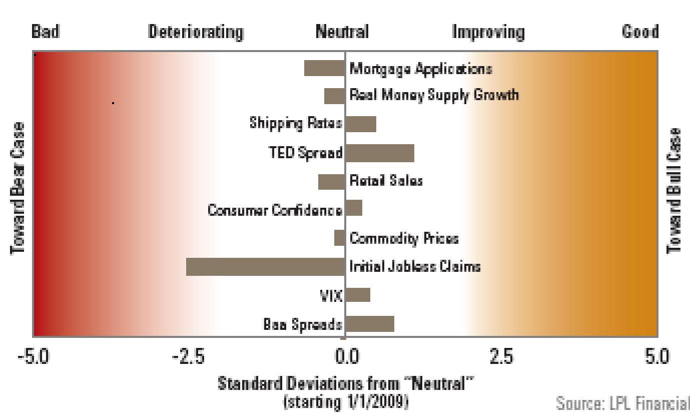
The two notably improving components (bond credit spreads and consumer confidence) were insufficient to offset the decline in the other components. Initial jobless claims have reflected some modest improvement in the past two weeks, but remain the weakest component of the CCI since the start of the year.

The VIX is a measure of the volatility implied in the prices of options contracts for the S&P 500. It is a market based estimate of future volatility. While this is not necessarily predictive it does measure the current degree of fear present in the stock market.

LPL RESEARCH CRISIS CONDITIONS INDEX COMPONENTS

Component of CCI Index	This Week	One Week Ago	Four Weeks Ago
BAA Spreads	0.7	0.4	-0.1
VIX	0.4	0.6	-0.3
Initial Jobless Claims	-2.6	-2.6	-2.8
Commodities	-0.2	-0.1	-0.2
Confidence	0.2	0.1	0.0
Retail Sales	-0.5	0.4	0.3
TED Spread	1.0	1.0	0.8
Shipping Rates	0.4	0.4	0.4
Real Money Supply Growth	-0.4	-0.4	-0.6
Mortgage Applications	-0.7	0.1	0.2
CCI	-0.1	0.0	-0.2

Source: LPL Financial



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