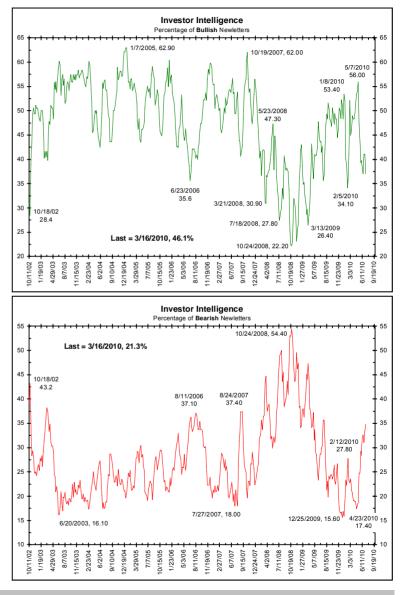


### Is The Crowd Too Bearish?

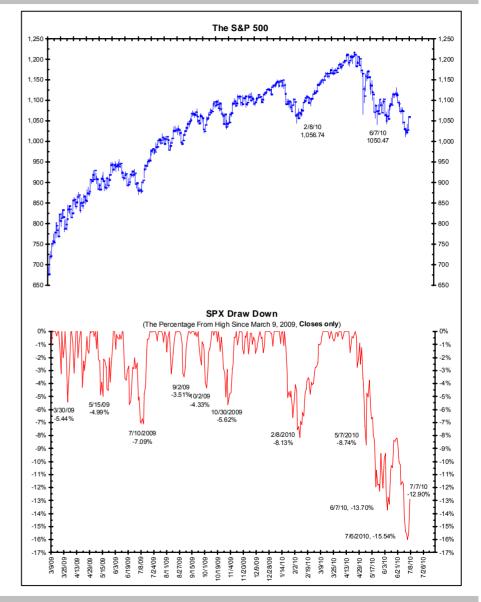
Was today's explosive rally a result of an oversold market or something more?

The chart to the right shows market sentiment via a survey of stock market newsletter writers by *Investor's Intelligence*. Given the 16% decline in stocks through last week, it is not surprising to see such high bearish opinion prevalent in the marketplace. If 2008 proved anything, investors can still become much more bearish before capitulating.



### S&P 500 Drawdown

Prior to today's rally, the S&P 500 was 15.54% off the April 23 high. Now it is only 12.90% off this high.



## Are U.S. Stocks Wildly Undervalued Given Earnings Estimates?

### From A Recent Commentary

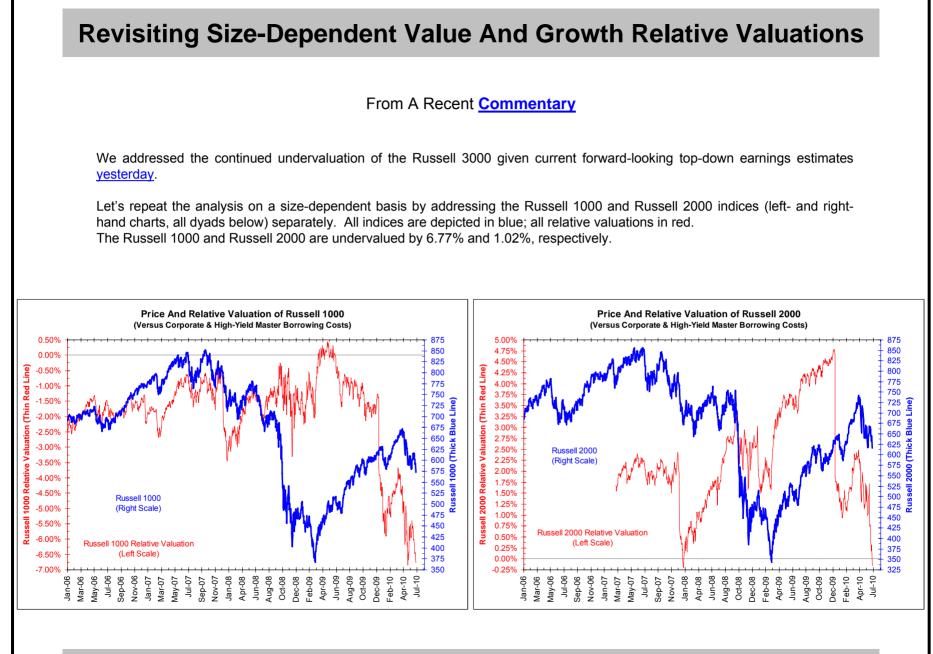
When we last updated this construct in March, we concluded the stage was being set for a bubble in U.S. equities given rising earnings estimates and continued stimulative monetary conditions. The bull market lasted another month before being derailed by a combination of events, the most prominent of which have been the European credit crisis and a turn toward restrictive policies in China.

Both the exuberant top-down earnings estimates for the U.S. remain, and with the Federal Reserve at least maintaining an accommodative stance, so, too, do the stimulative monetary conditions. Recent analyses of corporate yield curves and swap spreads, while not bullish, reveal remarkably little stress given equity performance, and nothing in the asset return differentiation map is remarkable save for the drive into U.S. Treasuries.

Price And Relative Valuation of Russell 3000 (Versus Corporate & High-Yield Master Borrowing Costs) 0.75% 925 900 0.25% Red Line) 875 850 -0.25% 825 -0.75% 800 lue Line) uation (Thin 775 -1.25% 750 -1.75% 725 sell 3000 (Thick B 700 -2.25% 675 Valu 650 -2.75% 625 Relative -3.25% 600 575 -3.75% 550 Russell 3000 3000 -4.25% Rus 525 (Right Scale) 500 -4.75% ussell 475 -5.25% 450 **Russell 3000 Relative Valuation** Ř 425 -5.75% (Left Scale) 400 -6 25% 375 Nov-06 Jan-08 Jun-08 Aug-08 Apr-09 Jun-09 Jul-10 Jan-06 Mar-06 May-06 Jul-06 Apr-08 Oct-08 Dec-08 <sup>=</sup>eb-09 Aug-09 Dec-09 Feb-10 Apr-10 Sep-06 Sep-07 Nov-07 Oct-09 Jan-07 Mar-07 May-07 Jul-07 **Bianco Research, L.L.C** 

For the week of July 7, 2010

As prices for U.S. equities (thick blue line) have fallen almost 14% since the end of April, the forward-looking top-down valuations therefor are compelling (thin red line). All an investor needs to do is believe those estimates.



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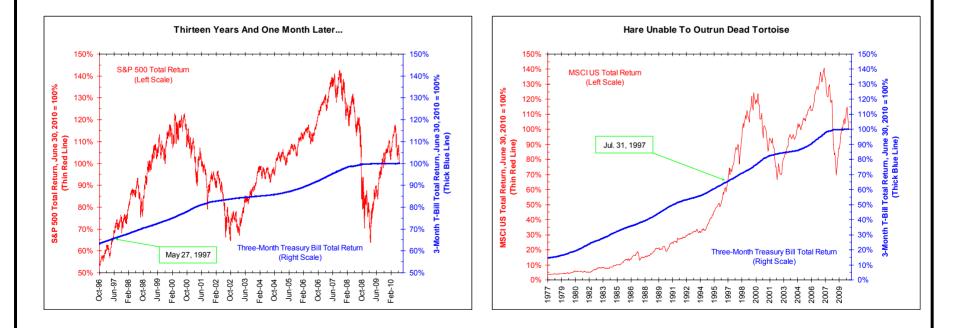
## **Revisiting S&P 500 & 3-Mth Treasury Bill Comparative Returns**

### From A Recent Market Facts

If we overlay the total return index for three-month Treasury bills on either a daily or a monthly basis (blue line, left- and right-hand chart, respectively), the comparison between equities and Treasury bills becomes grimmer. The S&P 500 has not outperformed three-month Treasuries since May 27, 1997, more than a month before the Thai baht crisis launched a series of what we today would consider trivial rescue attempts. The comparable date of equivalent performance for the MSCI index measured monthly is July 1997.

For those contemplating the view from a window-ledge, consider the average monthly return on three-month Treasuries since October 2008 has been 0.023%. That number is before taxes, inflation and the cost of e-mailing a statement to clients; regular postage is too expensive to use for in this context.

The hare of the U.S. stock market is struggling to beat the dead tortoise of three-month Treasuries.



### **Equities Still Correlated Positively To Higher Short-Term Yields**

#### From A Recent Market Facts

	SPR	TU	Weighted		SPR	TU	Weighted
	Weight	Beta	Beta		Weight	Beta	Beta
Pharmaceuticals	5.35%	0.076	0.004	Other Diversified Financial Services	3.54%	0.176	0.00
Soft Drinks	2.16%	0.096	0.004	Diversified Banks	1.72%	0.134	0.00
Household Products	2.32%	0.088	0.002	Investment Banking & Brokerage	1.18%	0.145	0.00
lealthcare Equipment	192%	0.078	0.001	Regional Banks	156%	0.108	0.00
Packaged Foods	1.71%	0.077	0.001	Asset Management & Custodial Banks	1.14%	0.125	0.00
Electric Utilities	184%	0.061	0.001	Oil & Gas Equipment	153%	0.080	0.00
Typercenters & Superstores	1.19%	0.094	0.001	Oil & Gas Exploration	2.06%	0.058	0.00
ntegrated Telecommunications	2.32%	0.040	0.001	Life & Health Insurers	1.01%	0.111	0.00
Multiline Utilities	136%	0.066	0.001	Consumer Finance	0.79%	0.131	0.00
Biotech	1.41%	0.061	0.001	Retail REITs	0.50%	0.126	0.00
Говассо	133%	0.061	0.001	Industrial Conglomerates	2.05%	0.031	0.00
Aerospace & Defense	2.70%	0.027	0.001	Specialized REITs	0.69%	0.091	0.00
Restaurants	129%	0.056	0.001	Multiline Insurers	0.41%	0.147	0.00
Computer Hardware	3.48%	0.020	0.001	Steel	0.39%	0.129	0.00
Healthcare Services	0.88%	0.066	0.001	Construction & Farm Machinery	108%	0.045	0.00
Systems Software	3.00%	0.017	0.001	Specialized Finance	0.42%	0.098	0.00
Managed Health	0.88%	0.051	0.000	Residential REITs	0.35%	0.114	0.00
nternet Software & Services	1.65%	0.022	0.000	Office REITs	0.30%	0.115	0.00
Healthcare Distributors	0.47%	0.074	0.000	Diversified Metals & Mining	0.31%	0.113	0.00
Life Sciences Tools & Services	0.59%	0.055	0.000	Property & Casualty Insurers	2.10%	0.016	0.00
Drug Retailers	0.63%	0.051	0.000	Coal & Cons. Fuels	0.25%	0.129	0.00
Gold	0.26%	0.123	0.000	Construction & Engineering	0.31%	0.088	0.00
Data Processing & Outsourcing	134%	0.019	0.000	Diversified REITs	0.17%	0.132	0.00
Air Freight & Logistics	0.92%	0.023	0.000	Broadcast & Cable TV	0.22%	0.089	0.00
Environmental Services	0.35%	0.051	0.000	Oil & Gas Drilling	0.24%	0.080	0.00
General Merchandise Retailers	0.48%	0.035	0.000	Diversified Chemicals	0.82%	0.022	0.00
Food Retailers	0.30%	0.049	0.000	Thrifts & Mortgages	0.24%	0.076	0.00
Food Distributors	0.19%	0.071	0.000	Hotels	0.33%	0.055	0.00
nsurance Brokers	0.26%	0.042	0.000	Automobile Manufacturers	0.35%	0.052	0.00
Personal Products	0.21%	0.042	0.000	Oil & Gas Refining	0.18%	0.096	0.00
Healthcare Suppliers	0.12%	0.048	0.000	Oil & Gas Storage	0.34%	0.096	0.00
Education Services	0.18%	0.070	0.000	Industrial REITs	0.09%	0.050	0.00
Sas Utilities	0.16%	0.041	0.000	Industrial Machinery	1.09%	0.015	0.00
Brewers	0.41%	0.092	0.000	Homebuilding	0.17%	0.088	0.00
	0.07%	0.092	0.000		0.55%	0.088	0.00
Healthcare Facilities Distillers & Vintners	0.09%	0.030	0.000	Internet Retailers Apparel & Accessories	0.36%	0.025	0.00
Automotive Retailers	0.09%	0.080	0.000	Aluminum	0.36%	0.034	0.00
/l etal & Glass Containers Distributors	0.18%	0.023 0.045	0.000	Electrical Components & Equipment Apparel Retailers	0.66% 0.67%	0.017 0.017	0.00
		0.045	0.000				0.00
Reinsurance	0.10%			Department Stores	0.37%	0.023	0.00
Specialized Consumer Services	0.12% 0.08%	0.022 0.033	0.000	Auto Parts & Equipment	0.25%	0.033 0.018	0.00
Healthcare Technology				Semiconductor Equipment	0.42%		
Housewares & Specialty Stores	0.13% 0.13%	0.016 0.011	0.000	Specialty Stores	0.31%	0.021 0.041	0.00
Office Services & Supplies				Casinos & Gaming	0.16%		
Water Utilities	0.03%	0.050	0.000	Paper Products	0.16%	0.038	0.00
				Electrical Manufacturing Services	0.12%	0.033	0.00
				Tires & Rubber	0.03%	0.152	0.00
				Forest Products	0.09%	0.042	0.00
				Multisector Holdings	0.04%	0.080	0.00
				Motorcycle Manufacturers	0.05%	0.052	0.00
				Trucking	0.12%	0.019	0.00
				Commercial Printers	0.05%	0.034	0.00
				Home Furnishings	0.06%	0.019	0.00
				Consumer Electronics Marine	0.02% 0.03%	0.046 0.019	0.00
				Photo Products	0.03%	0.019	0.00
				Commodity Chemicals	0.01%	0.043	0.00
Subtotal:	44.89%		-2.41%	Subto tal:	32.59%		2.73

A total of 45 industry groups in the S&P 1500 accounting for 44.89% of market capitalization have a statistically significant negative relative performance beta to higher two-year note yields (left-hand cells). The net weighted beta is - 2.41%.

Fifty-seven groups accounting for 32.59% of the S&P 1500 have a statistically significant positive relative performance beta; the net weighted beta here is 2.73%. Many of these are financial issues (yellow shading) whose fall preceded and then coincided with the massive decline in short-term interest rates; we noted this first in January 2008.

The net contribution is 0.32%. Each 1% increase in two-year note yields, about 0.67 basis points at current levels, could be expected to lead to a 0.0032% increase in the S&P 1500, all else held equal.

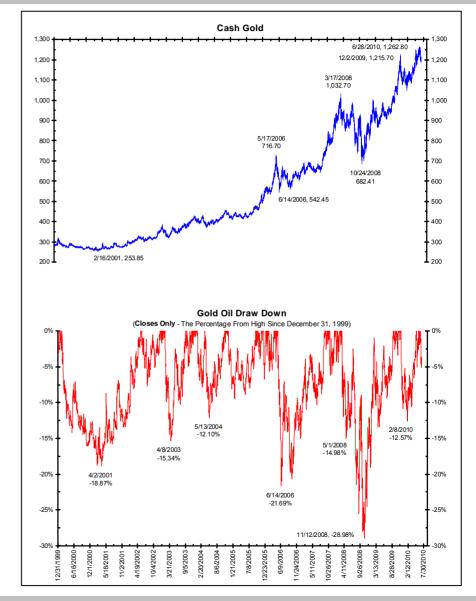
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### **Measuring Gold's Decline**

Gold declined almost \$80 from its all-time high set last week. Some now wonder if the rally in gold is over.

As the bottom panel to the right shows, gold's decline was barely 5% from its previous high at its worst level. During the bull market that began in 2001, gold has decline more than 10% seven times and more than 15% five times.

Given this, on price action alone, we would say gold has not "broken down."

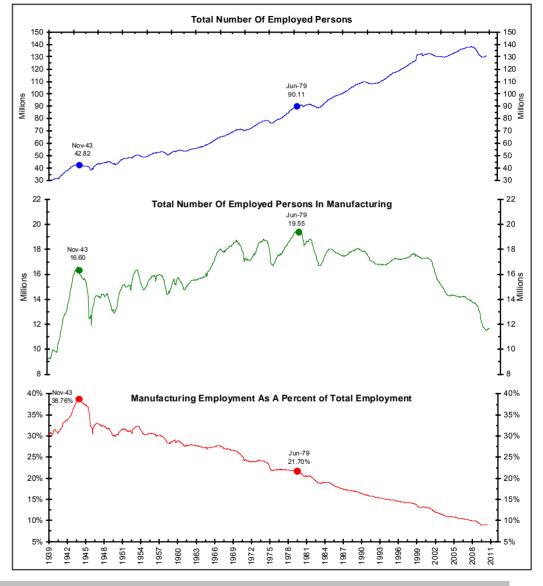


### Manufacturing Jobs – Do They Matter Anymore?

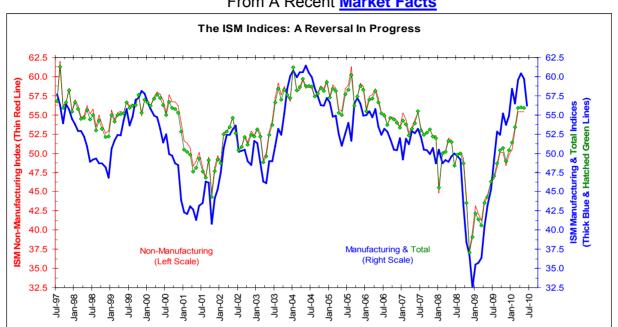
#### From Our

Newsclips/Daily Market Commentary

All too often manufacturing jobs are stressed moreso than service sector jobs. This may have made sense many decades ago when manufacturing jobs accounted for nearly 40% of total employment, but today those jobs account for less than 9% of total employment. In fact, as the highlighted passage above points out, the service sector now employs more than five times the number of people as the manufacturing sector.



## ISM Manufacturing Index' Reversal Not Deterministic



#### From A Recent Market Facts

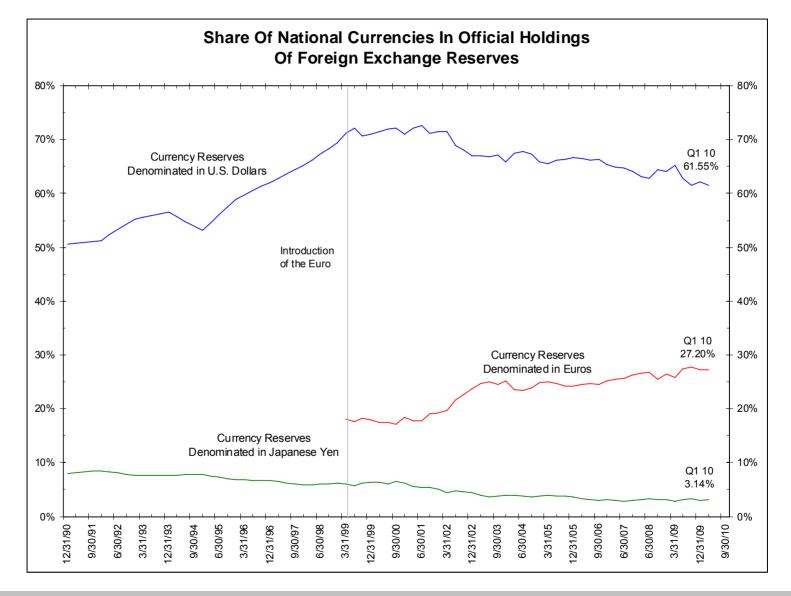
As a methodological note, while the manufacturing index extends back to 1948, the non-manufacturing index (thin red line) has only twelve years of history.

We should note the ISM manufacturing index peaked in May 2004 and declined irregularly into September 2008; the U.S. economy remained in an expansion phase between 2004:Q3 and 2007:Q3. The downturn in the index is not a single-stop indicator of expansion and contraction. Similarly, the index bottomed in December 2008, well before anyone has suggested the recession ended.

The non-manufacturing index, available only through May at the time of this writing, and the weighted-average combined index (hatched green line) have trended sideways since March. Similar divergences occurred between November 1999 and November 2000 and between June 2002 and February 2003.

Manufacturing can be stopped and restarted much more quickly than can non-manufacturing; the entire sector simply is more volatile and is increasingly linked to global, as opposed to national trends. The present V-shaped downturn is a matter of concern, but does not indicate a reprise of the credit-led downturn in 2008-2009.

### **Currency Reserves**



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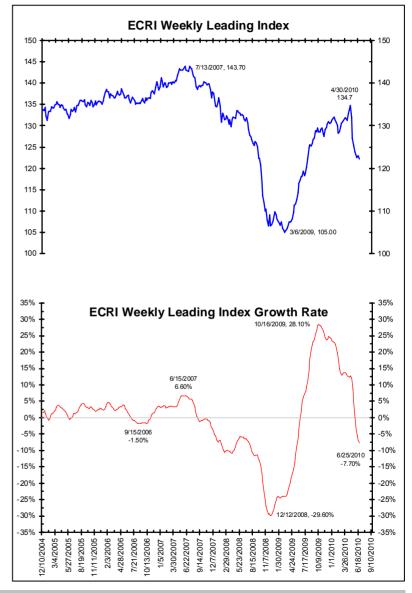
## **ECRI Falls Again**

From Our Newsclips/Daily Market Commentary

#### Should We Care?

This index, which has been published every Friday for decades, is viewed as a very good leading indicator of future economic activity. However, it is not without its critics.

Bank of America panned this index in a June 22 <u>commentary</u>. As we further discussed in a <u>Market Facts</u> on Wednesday, although the ECRI is constructed of multiple components, one need look no further than last week's stock prices to get a general idea of where this index is heading. But, given its great reputation and track record, if the ECRI is telling us the economy is stumbling, we need to pay attention.



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## **Chances Of A Double Dip Recession**

#### From Our Newsclips/Daily Commentary

#### ClevelandFed.org – <u>The Yield Curve, June 2010</u>

Since last month, the yield curve has dropped slightly. with both long and short rates ticking down. The difference between these rates, the slope of the yield curve, has achieved some notoriety as a simple forecaster of economic growth. The rule of thumb is that an inverted yield curve (short rates above long rates) indicates a recession in about a year, and yield curve inversions have preceded each of the last seven recessions (as defined by the NBER). In particular, the yield curve inverted in August 2006, a bit more than a vear before the current recession started in December 2007. There have been two notable false positives: an inversion in late 1966 and a very flat curve in late 1998. More generally, a flat curve indicates weak growth, and conversely, a steep curve indicates strong growth. One measure of slope, the spread between ten-year Treasury bonds and three-month Treasury bills, bears out this relation, particularly when real GDP growth is lagged a year to line up growth with the spread that predicts it.

#### The Probability of a U.S. Recession 12 Months Ahead 100% 100% Shaded Areas Are Recessions 90% 90% March 2001-80% 80% July 1990 → 70% 70% 60% 60% 1/2/2001 3/7/2007 53.83% 50% 50% 44 14% 6/9/1989 40% 36 45% 40% 30% 30% 20% 20% 10% 10% 10/24/1986 -10/9/1987 -9/26/1988 -9/12/1989 -8/27/1990 -8/13/1991 -7/29/1992 -7/15/1993 -5/15/1997 -5/1/1998 -4/16/1999 -3/30/2000 -2/20/1982 12/5/1983 6/30/1994 6/16/1995 5/30/1996 2/27/2002 2/12/2003 1/5/2006 1/10/2007 12/9/2008 1/24/2009 11/3/2010 1/20/1984 11/7/1985 3/14/2001 2/24/2007 1/14/2005 1/4/1982

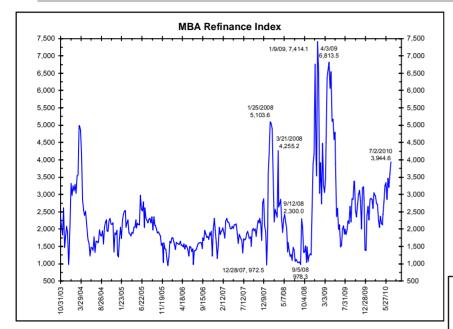
#### Comment

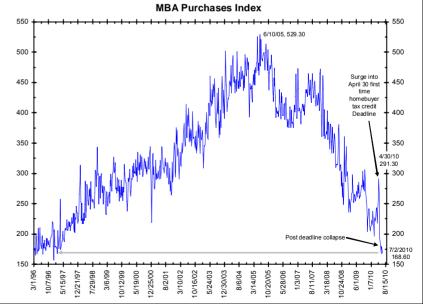
The chart above is calculated using the model mentioned in a July 2006 Federal Reserve paper. While the Cleveland Federal Reserve seems to have tweaked this model a bit for their own use, we still believe this to be a rather ineffective predictor of recessions for the time being. As we last pointed out roughly 6 months ago, we believe the yield curve has been rendered rather ineffective as an indicator of future recessions thanks to massive government intervention in the markets. The Federal Reserve itself has even gone as far as adding the following disclaimer to some of its research on the topic:

Of course, it might not be advisable to take these number quite so literally, for two reasons...First, this probability is itself subject to error, as is the case with all statistical estimates. Second, other researchers have postulated that the underlying determinants of the yield spread today are materially different from the determinants that generated yield spreads during prior decades. Differences could arise from changes in international capital flows and inflation expectations, for example. The bottom line is that yield curves contain important information for business cycle analysis, but, like other indicators, should be interpreted with caution.

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## **Refis Boom Again, Purchases Fall To New Lows**





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## **R.I.P TALF**

#### From Our Newsclips/Daily Market Commentary

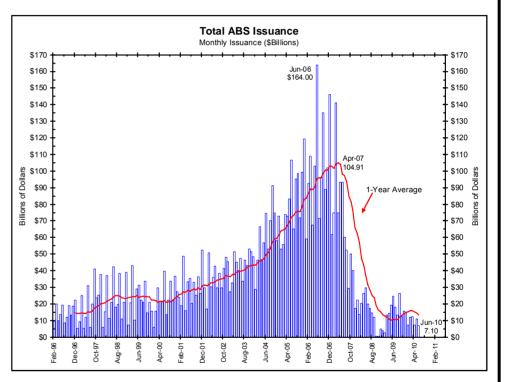
# The Financial Times – <u>Talf retires as saviour of</u> <u>securitisation</u>

The Federal Reserve Bank of New York last year said attempts to revitalise the securitisation markets would depend on the success of its ambitious programme to tackle the dysfunctional market for commercial mortgage-backed securities (CMBS). The programme in question - the term asset-backed securities loan facility (Talf) – this week quietly came to an end after 15 months of service. Through Talf, the Fed lent money to investors like hedge funds on favourable terms so that they could buy securities backed by auto loans, credit cards and commercial mortgages...Talf, which formally ended on Wednesday, was flagged in the depths of the financial crisis as a potential \$1,000bn liquidity pump for securitised markets, which provided more than half of credit for US consumers and businesses before shutting down in 2008. In fact, only just over \$70bn was lent through Talf, with \$12bn going towards purchases of existing CMBS and just \$72m towards just one new issue.

#### Comment

Did the TALF work? See the following chart and make the call.

If ABS issuance is now stuck in the \$5 billion to \$10 billion range, it is no longer large enough to be a serious part of the financial landscape.



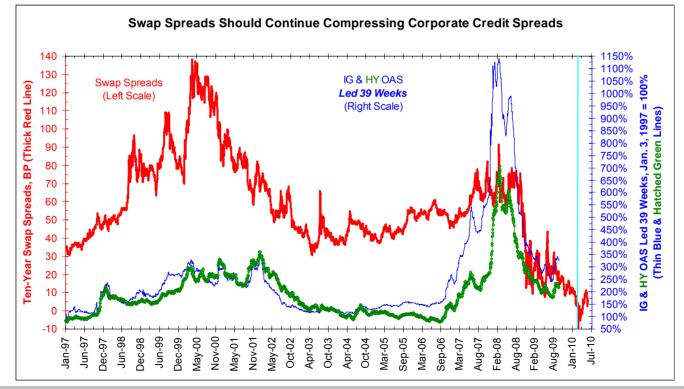
## Swap Spreads Still Signaling Narrower Corp. Credit Spreads

### From A Recent Market Facts

Ten-year <u>swap spreads</u> (thin red line) soon hit their lows and rebounded. Both investment-grade and high-yield credit spreads led 39 weeks (thin blue and hatched green lines) followed suit and rose through the Eurozone' credit problems.

If the long-observed 39-week lead time remains, the current turn lower in swap spreads should placed renewed downward pressure on corporate credit spreads.

Narrower swap spreads are consistent with both lower expectations of financial risk and with a lack of fear of interest rates moving higher. They also are consistent with a continued decline in realized fixed-income volatility; ten-year zero-coupon implied volatility hit its low for 2010 on Monday.



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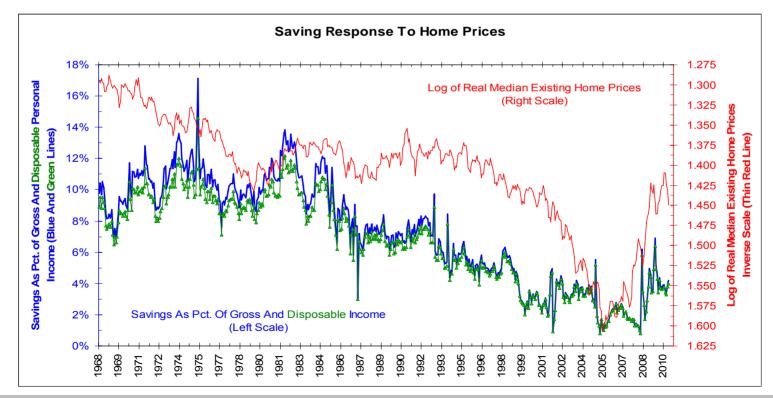
### Savings Rates And Asset Prices During The Keynesian Thermidor

#### From A Recent Commentary

#### Housing

The housing market's contribution to savings is far less direct than previously. Artificially low interest rates, more than \$1.2 trillion in Federal Reserve MBS purchases, the aforementioned homebuyer tax credit, the inability of many otherwise creditworthy mortgagors to refinance or obtain new mortgages, the virtual cessation of mortgage equity withdrawals and a dizzying array of home foreclosure delay programs have left the housing market arguably overvalued. We must say, "arguably" as the answer to the question of what actual, market-clearing prices might have been or should be probably will remain unknown.

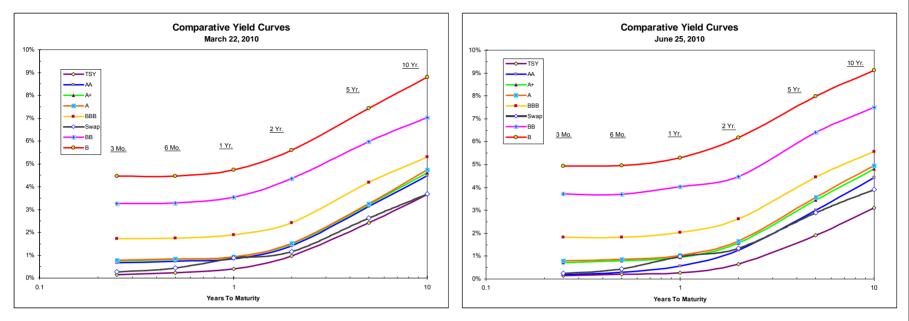
Still, the expected inverse relationship between savings rates and real housing prices as measured by the median constant-dollar price of existing homes (thin red line, inverse scale) as we have seen in the past for both housing and equities remains.



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## **Corporate Yield Curves After The Bull Run**

From A Recent Special Report



We can compare the relative steepness of two yield curves by comparing their <u>forward rate ratios</u> across a segment of the yield curve, in this case the 2-10 year segment.

One message in the charts above is unmistakable: Corporate yield curves are flattening relative to the Treasury yield curve, a condition seen during both of the major bear markets of the past decade. These yield curve spreads are prone to V-shaped reversals both higher and lower and cannot be ignored.

This outlook is confirmed by high-yield markets, as measured by BB- and to a lesser extent B-rated markets (thick blue and thin red lines, right-hand chart).

## **Comparative Utility Yield Curves**

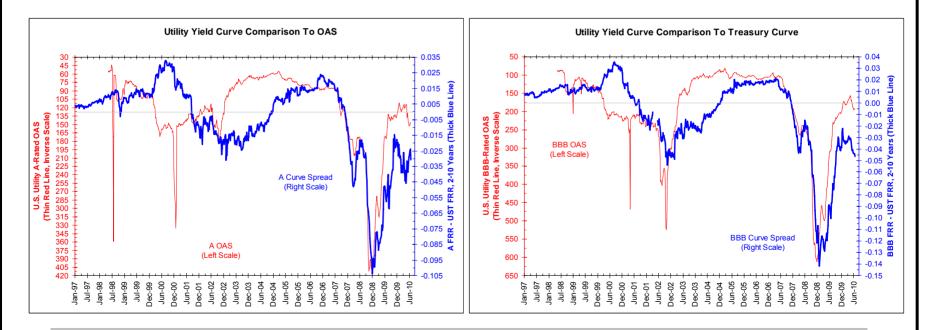
### From A Recent Special Report

#### Yield Curve Spreads And OAS Levels

Next, we can compare the relative steepness of two yield curves by comparing their <u>forward rate ratios</u> across a segment of the yield curve, in this case the 2-10 year segment. The FRR2,10 spread for the A-rated issues (thick blue line, left-hand chart, following page) has encountered resistance below the breakdown points of July 2008 and November 2009. The yield curve spread for the BBB-rated issues against the Treasury FRR2,10 curve (thick blue line, right-hand chart) is now widening aggressively. Neither one of these developments is bullish for utilities and in the case of BBB-rated issues, the implications are negative.

This conclusion is confirmed by the OAS levels for these indices (thin red lines, inverse scale). Both the A- and BBB-rated OAS (left-hand chart) failed to narrow beneath their breakdown levels of August 2007.

The utility sector is not demonstrating intrinsic strength so much as it is demonstrating relative strength vis-à-vis the broad market.



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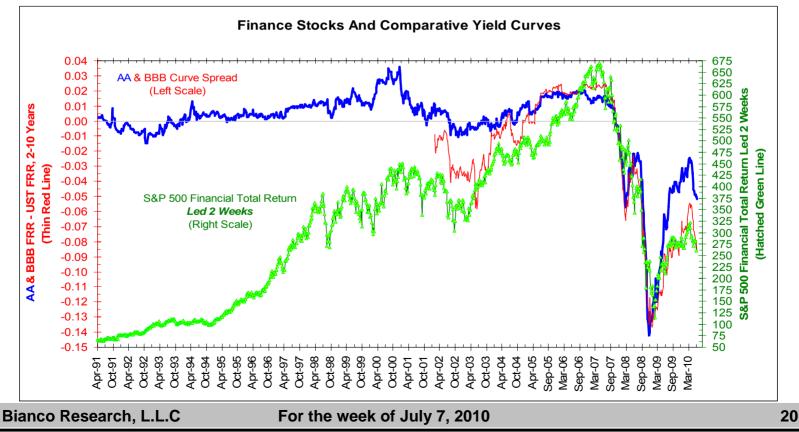
### **Comparative Financial Yield Curves Argue For Defensive Stance**

### From A Recent Special Report

The AA and BBB yield curve spreads (thick blue and thin red lines, respectively) lead the total return of the S&P 500 Financial index (hatched green line) by two weeks on average.

The current configuration for the sector is the worst it has been since just before the September 2008 financial crisis. This makes the entire sector vulnerable to one bad event or combination of events or to a continued negative reaction to the financial regulation legislation now underway in Washington.

As the world starts to back away from the stimulus programs so responsible for the financial sector's post-March 2009 recovery, the sector's reliance on those programs is exposed. A defensive posture in the sector is advised.



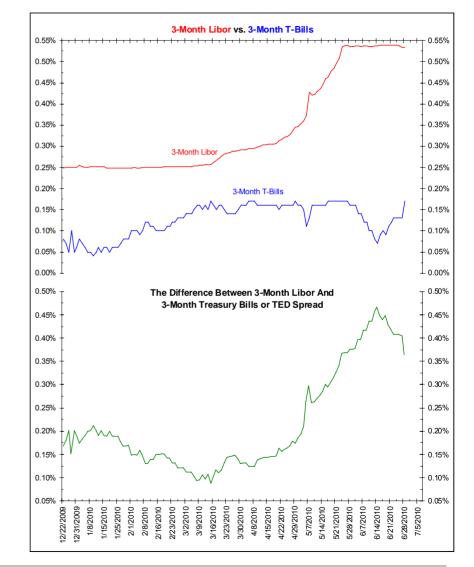
## **Does LIBOR Matter Anymore?**

#### From A Recent Special Report

One interesting thing is happening with LIBOR. If you look at the LIBOR chart on the right of Page 11, then what it shows is that LIBOR has not been moving. It has been unchanged for the last 35 days.

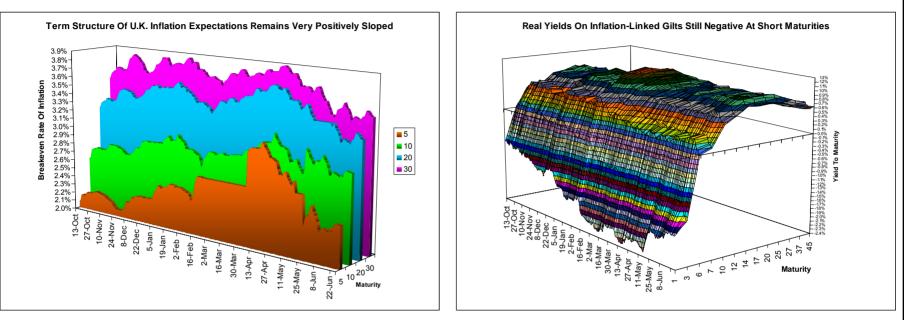
Now, I am in the conspiracy camp when it comes to LIBOR. I am in the conspiracy camp that this is somewhat of an invented number that -- just to say it bluntly to get the point across – the banks lie about. I am in that camp because, one, Citibank was caught doing exactly that in 2007 – lying about LIBOR. They were worried that if they showed that they had higher funding costs than everybody else, that they were kind of an outlier, that they were 10 basis points, five basis points, or 15 basis points higher than the next highest of the 16 reporting banks –

This is from our most recent conference call we had on July 1, 2010 (<u>handout</u>, <u>audio</u>, <u>webcast</u>, <u>transcript</u>)



## **U.K. Real Yields And Inflation Breakevens Revisited**

### From A Recent Market Facts



We last discussed real U.K. yields and inflation expectations in <u>November 2009</u>, just after the pound began to firm against the euro.

The term structure of inflation expectations remains very positively sloped (left-hand chart). Breakeven rates of inflation have declined since sovereign debt concerns in Europe began to increase in late April.

Real rates (right-hand chart) on inflation-linked Gilts are negative for both the 2.5% due August 23, 2011, and for the 2.5% due August 16, 2013. These negative real yields were seen in the U.S. during the depths of the credit crisis in late 2008. Like negative Treasurybill yields and negative long-term swap spreads, the presence of negative real yields is a sign of credit market stress and high levels of risk aversion.

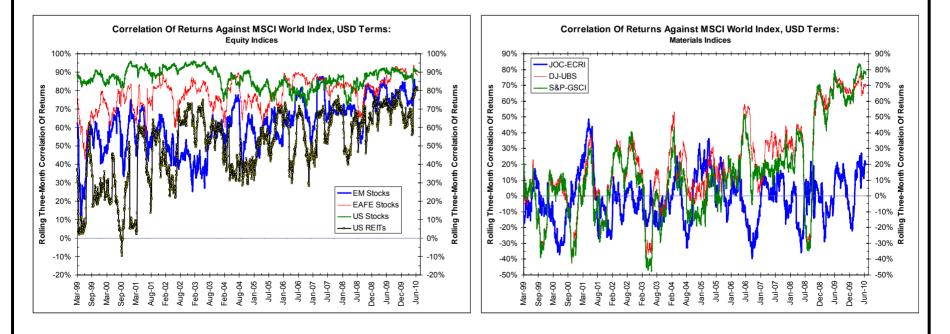
### **Asset Returns Differentiation At The G-20 Junction**

### From A Recent Market Facts

As in <u>May</u> we will use total returns in USD for all markets below except for the JOC-ECRI industrial materials index, for which no total return measure exists, and construct a set of three-month rolling correlations of returns against the MSCI World total return index expressed in USD terms. A post-November 2009 correlation matrix is presented at left.

The correlation of returns for U.S. REIT indices (blue black line, left-hand chart) increased since the April 26th high, but such was not the case for the Emerging Markets, EAFE or U.S. indices (blue, red and green lines, respectively, left-hand chart).

The S&P-GSCI and Dow Jones-UBS indices' correlation of returns remain below their April highs (green and red lines, righthand chart) as well.



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### Partial Contribution Of 10-Yr Note Yields Decreasingly Positive For Equities

### From A Recent Market Facts

A total of 41 industry groups in the S&P 1500 accounting for 44.2% of market capitalization have a statistically significant negative relative performance beta to ten-year Treasury yields (right-hand cells). The net weighted beta is -4.64%. These groups are concentrated in the consumer staples and healthcare sectors.

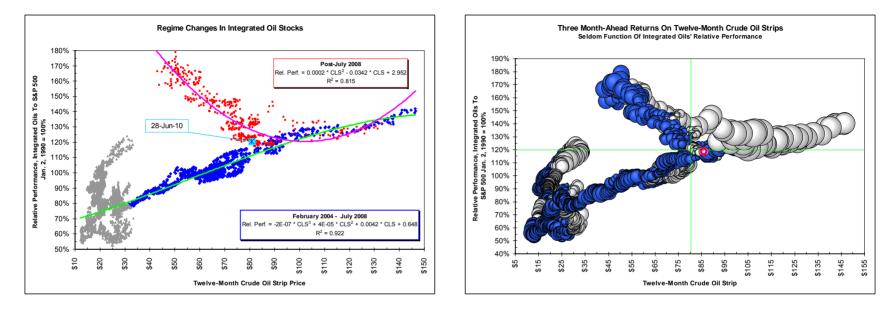
Fifty-five groups accounting for 36.98% of the S&P 1500 have a statistically significant positive relative performance beta (right-hand cells); the net weighted beta here is 5.14%. Here the impact is concentrated in the energy and financial (highlighted with mauve and yellow backgrounds, respectively) sectors.

The net contribution is 0.50%, as opposed to 0.73% in <u>March</u>. Each 1% gain in ten-year note yields, about 30 basis points at present, could be expected to lead to a 0.005% increase in the S&P 1500, all else held equal.

Andre Die Presentier         3.99%         0.22         0.000         Pharmaceuliciais         6.43%         0.82         0.000           Die Gestergunnent         153%         0.87         0.000         Schweiniger         2.33%         0.64         0.000           Die Gestergunnent         153%         0.87         0.000         Schweiniger         2.33%         0.64         0.000           Versittinger Banking & Brokenge         1.07%         0.23         0.000         Heathbrane Equipment         1.15%         0.177         0.000           Schweintwert Banking & Brokenge         1.07%         0.98         0.000         Heathbrane Equipment         1.15%         0.97         0.000         Heathbrane Equipment         1.15%         0.90         0.000           Schweintwert Banking & Brokenge         1.07%         0.98         0.000         Hoacentres         1.8%         0.68         0.000           Schweintwert Banking & Brokenge         1.03%         0.75%         0.031         0.000         Hoacentres         1.8%         0.68         0.000           Schweintwert Banking & Brokenge         1.03%         0.77%         0.099         0.001         Analysis & Die Banking & Die B		SPR	TY	Weighted		SPR	TY	Weighted
Nik Gas Explorment     153%     0.97     0.000       Noversine Banking & trokerage     120%     0.243     0.000       Noversine Banking & trokerage     120%     0.243     0.000       Nik Gas Explorment     195%     0.82     0.000       Nik Gas Explorment & Custodal Banks     195%     0.82     0.000       Nik Gas Explorment & Custodal Banks     195%     0.82     0.000       Nik Gas Explorment & Custodal Banks     195%     0.82     0.000       Nik Gas Explorment & Custodal Banks     195%     0.82     0.000       Nik Gas Explorment & Custodal Banks     195%     0.82     0.000       Integrated Tick Construction & Farm Machinery     105%     0.84     0.000       Construction & Farm Machinery     105%     0.28     0.001       Rel RETIS     0.95%     0.231     0.001       Advisor & Construction & Farm Machinery     0.95%     0.231     0.001       Advisor & Construction & Farm Machinery     0.95%     0.231     0.001       Advisor & Construction & Farm Machinery     0.95%     0.231     0.001       Advisor & Construction & Farm Machinery     0.95%     0.231     0.001       Advisor & Construction & Farm Machinery     0.95%     0.231     0.001       Distriction & Farm Machinery <t< th=""><th></th><th>Weight</th><th>Beta</th><th>Beta</th><th></th><th>Weight</th><th>Beta</th><th>Beta</th></t<>		Weight	Beta	Beta		Weight	Beta	Beta
Diversited Banka         174%         0.71         0.003         Soft Dinks         2.9%         0.72         0.00           Dilk Gas Exploration         180%         0.80         0.003         Packaget Foods         17.%         0.45         0.45         0.003         Packaget Foods         17.%         0.45         0.003         0.003         Packaget Foods         17.%         0.45         0.003 </td <td>Other Diversified Financial Services</td> <td>3.59%</td> <td>0.292</td> <td>0.010</td> <td>Pharmaceuticals</td> <td>5.43%</td> <td>0.162</td> <td>0.009</td>	Other Diversified Financial Services	3.59%	0.292	0.010	Pharmaceuticals	5.43%	0.162	0.009
eventment         Banking & Brokenge         120%         0.243         0.003         Heatthcare Equipment         19%         0.47         0.00           Regional Banks         159%         0.52         0.003         Heatgrade Tile Communications         2.23%         0.66         0.000           Stast Management A Clustodial Banks         159%         0.52         0.002         Hitsgrade Tile Recommunications         2.23%         0.66         0.000           Changement Finance         0.87%         0.021         0.002         Electric Utiles         18%         0.68         0.000           die Å Healm Faure         100%         0.64         0.002         Totacco         13%         0.67         0.000           die Å Healm Faure         20%         0.231         0.001         Heatmearts Environs         2.43%         0.001           die Å Hank         0.57%         0.231         0.001         Heatmearts Environs         2.43%         0.021         0.035         0.011         Heatmearts Environs         2.43%         0.021         0.023         0.021         Heatmearts Environs         2.93%         0.023         0.001         Heatmearts Environs         2.93%         0.023         0.001         Heatmearts Environs         2.93%         0.026		153%	0.197	0.003	Household Products	2.33%	0.164	0.004
NA Gas Exploration     189%     0.80     0.80     Peckage Foods     177%     0.15     0.00       Naset Management & Custodial Banks     155%     0.88     0.000     Hypercenters & Superstores     18%     0.80     0.00       Statet Management & Custodial Banks     155%     0.88     0.000     Hypercenters & Superstores     18%     0.80     0.00       Statet Management & Custodial Banks     157%     0.08     0.000     Hypercenters & Superstores     18%     0.80       Statet Management & Custodial Banks     157%     0.081     0.000     Extech     142%     0.84     0.00       Statet Management & Custodial Banks     157%     0.031     0.000     Restaurants     128%     0.17     0.000       Statet Management & Custodial Banks     0.37%     0.031     0.001     Restaurants     128%     0.17     0.000       Statet States Maling     0.37%     0.284     0.001     Restaurants     2.85%     0.188     0.000       Vestified Matia & Mining     0.37%     0.226     0.001     Healthcare Services     0.88%     0.188     0.000       Vestified Chemicals     0.47%     0.226     0.020     0.001     Healthcare Services     0.89%     0.80       Specializer France     0.47%     0.	Diversified Banks	174%	0.171	0.003	Soft Drinks	2.16%	0.172	0.004
Regional Banks         159%         0.52         0.02         Integrated IR Scutodul Banks         157%         0.58         0.002           Sastel Management Ranace         0.87%         0.232         0.002         Electric Ulilies         188%         0.88         0.000           Life A Health Insurers         0.37%         0.384         0.002         Tobacco         135%         0.27         0.000           State Integrated IR Scate Machinery         0.84%         0.307         0.001         Tobacco         135%         0.27         0.000           State Integrated IR Scate Machinery         0.84%         0.307         0.001         Restaurants         2.28%         0.16         0.001           State Integrated IR Scate Machinery         0.84%         0.307         0.001         Restaurants         2.28%         0.17         0.000           State Integrated IR Scate Machinery         0.04%         0.001         Computer Harkwere         2.48%         0.020         0.001           State Integrated IR Scate Machinery         0.34%         0.221         0.001         Computer Harkwere         2.48%         0.000           Dorestified M tals & Mining         0.35%         0.221         0.001         Computer Harkwere         2.48%         0.001	Investment Banking & Brokerage	120%	0.243	0.003	Healthcare Equipment	195%	0.147	0.003
Asset         Asset         Mypercenters & Superstores         15%         0.00         0.00           Integrated Di & Gas         5.70%         0.031         0.002         Biotech         142%         0.54         0.000           Integrated Di & Gas         5.70%         0.031         0.002         Biotech         142%         0.54         0.000           Integrated Di & Gas         0.05%         0.23         0.001         Mutime Unities         140%         0.16         0.000           Stel         0.50%         0.231         0.001         Acrospace & Defense         2.69%         0.48         0.001           Stel         0.50%         0.231         0.001         Acrospace & Defense         2.69%         0.48         0.001           Mutime Insurer         0.49%         0.211         0.001         Acrospace & Defense         2.69%         0.48         0.001           Mutime Insurer         0.49%         0.211         0.001         Acrospace & Defense         2.69%         0.032         0.001           Mutime Insurer         0.43%         0.211         0.001         Internorssing & Outoruring         2.37%         0.264         0.001           Specialized Finence         0.43%         0.021		180%	0.160	0.003	Packaged Foods	171%	0.145	0.002
Sake Management & Custodial Banks         15%         0.08         0.02         Hypercenters & Superatores         15%         0.00         0.00           Integrated Ol & Gas         570%         0.031         0.002         Biotech         142%         0.04         0.00           Integrated Ol & Gas         570%         0.031         0.002         Biotech         142%         0.04         0.00           Construction & Farm Machney         108%         0.30         0.001         Mutiline         140%         0.18         0.000           Steal A RETS         0.50%         0.23         0.001         Acrospace & Defense         2.6%         0.48         0.00           Steal A RETS         0.50%         0.23         0.001         Acrospace & Defense         2.6%         0.48         0.00           Steal A RETS         0.50%         0.321         0.001         Acrospace & Defense         2.6%         0.48         0.00           Steal A RETS         0.35%         0.241         0.001         Acrospace & Defense         0.87%         0.026         0.001           Stead A RETS         0.35%         0.211         0.001         Acrospace & Defense         0.87%         0.086         0.001           Stead RETS	Regional Banks	159%	0.152	0.002	Integrated Telecommunications	2.32%	0.106	0.002
Consumer Finance         0.8 fs         0.232         0.002         Electric Utilities         18.8 fs         0.88         0.000           Life & Health Insurers         103%         0.54         0.002         Tobacco         13.5 %         0.57         0.000           Stell         0.38 fs         0.307         0.001         Restaurants         128%         0.17         0.000           Stell         0.38 fs         0.38 fs         0.001         Restaurants         128%         0.17         0.000           Stell REITS         0.07%         0.58         0.001         Healthcare Services         0.88%         0.18         0.001           Operating REITS         0.77%         0.58         0.001         Healthcare Services         0.88%         0.018         0.001           Operating REITS         0.78%         0.227         0.001         Dark Processing Software         2.77%         0.028         0.001           Operating REITS         0.48%         0.290         0.0301         Dark Processing Software         2.95%         0.043         0.001           Operating REITS         0.29%         0.205         0.001         Heathreas         0.95%         0.021         0.000         Dark Processing Software         2.		1.15%	0.198	0.002		1.18%	0.190	0.002
Uife Å Health Insurers     103%     0.84     0.007     Tobacco     135%     0.07     0.00       Stel     0.38%     0.307     0.001     Restaurants     128%     0.117     0.00       Stel     0.38%     0.307     0.001     Restaurants     128%     0.117     0.00       Specialized FEITs     0.70%     0.75%     0.231     0.001     Heatincere Services     0.88%     0.18     0.001       Multime Insurers     0.41%     0.227     0.001     Heatincere Services     0.84%     0.023     0.001       Specialized Finance     0.43%     0.211     0.011     Managed Health     0.27%     0.28     0.001       Specialized Finance     0.43%     0.211     0.011     Old     Data Processing & Outsourcing     1.33%     0.048     0.001       Specialized Finance     0.45%     0.321     0.001     Heathicaze Distributors     0.47%     0.028     0.001       Residential REITS     0.35%     0.201     0.001     Heathicaze Distributors     0.47%     0.028     0.001       Residential REITS     0.35%     0.021     Internet Software & Sorvices     0.47%     0.026     0.001       Nortes Kinterinent     1.35%     0.038     0.001     Interes Software & Sorvice		0.81%	0.232	0.002		188%	0.108	0.002
Construction & Farm Machinery         108%         0.28         0.001         Multine Utilities         140%         0.1%         0.0%           Stel         0.60%         0.231         0.001         Arestaurants         2.69%         0.048         0.001           Stell         0.07%         0.56         0.001         Arestaurants         2.69%         0.048         0.001           Multine Insures         0.47%         0.223         0.001         Computer Hardware         3.48%         0.023         0.001           Specialized Finance         0.37%         0.224         0.001         Managed Health         0.87%         0.085         0.001           Specialized Finance         0.37%         0.234         0.001         Managed Health         0.87%         0.080         0.001           Dotes Field         0.35%         0.201         0.001         Internet Software & Services         0.44%         0.000         0.025         0.032         0.001         Internet Software & Services         0.44%         0.030         0.001         Internet Software & Services         0.44%         0.030         0.001         Internet Software & Services         0.44%         0.030         0.001         Internet Software & Services         0.45%         0.026 <t< td=""><td>ntegrated Oil &amp; Gas</td><td>5.70%</td><td>0.031</td><td>0.002</td><td>Biotech</td><td>142%</td><td>0.124</td><td>0.002</td></t<>	ntegrated Oil & Gas	5.70%	0.031	0.002	Biotech	142%	0.124	0.002
Stell         O.38%         O.307         O.001         Aerospace Science         2.89%         O.177         O.003           Specialized REITs         0.70%         0.59         0.001         Heathcare Sevices         0.88%         0.18         0.001           Matchial Conjournates         0.03%         0.227         0.001         Computer Hardware         2.87%         0.028         0.001           Versified Metals Mining         0.37%         0.224         0.001         Managed Health         2.27%         0.024         0.001           Specialized Finance         0.43%         0.21         0.001         Managed Health         2.27%         0.245         0.001           Specialized Finance         0.43%         0.201         0.001         Hatternst Distributors         0.47%         0.28         0.001           Specialized Finance         0.39%         0.201         0.001         Hatternst Matchians         0.29%         0.003         0.001         Hatternst Matchians         0.29%         0.003         0.001         Matchians         0.29%         0.001         0.003         0.001         Advise Sciencies         0.59%         0.003         0.001         Matchians         0.29%         0.004         0.000         0.003         0.001	ife & Health Insurers	103%	0.164	0.002	Tobacco	135%	0.127	0.002
Stall RETs         0.50%         0.231         0.001         Aeropace & Defense         2.69%         0.048         0.001           Specialized RETs         0.70%         0.59         0.001         Heathcare Services         0.88%         0.028         0.001           Multime Insures         0.44%         0.227         0.001         Systems Sortiware         2.97%         0.028         0.001           Diversified Metals & Mining         0.34%         0.214         0.001         Systems Sortiware         2.97%         0.028         0.001           Specialized Finance         0.34%         0.224         0.001         Balar Processing & Outsourcing         1.33%         0.048         0.001           Dotat Kons Fuels         0.25%         0.352         0.001         Heatthcare Distributors         1.44%         0.036         0.001           Differ RETs         0.39%         0.201         0.001         Life Sciences         0.59%         0.002         0.003         0.001         Differ Retains         0.62%         0.046         0.000         0.003         0.001         Differ Retains         0.62%         0.046         0.000         Differ Retains         0.63%         0.001         Differ Retains         0.63%         0.000         Differ Retains<	Construction & Farm Machinery	108%	0.128	0.001	M ultiline Utilities	140%	0.116	0.002
Specialized FEITs         0.70%         0.59         0.001         Heathcare Services         0.84%         0.018         0.001           Autiline Insurers         0.47%         0.227         0.001         Computer Hardware         2.47%         0.028         0.001           Versified Metals Mining         0.37%         0.241         0.001         Condit Hardware         2.47%         0.028         0.001           Specialized Finance         0.43%         0.21         0.001         Managed Health         0.27%         0.243         0.001           Specialized Finance         0.43%         0.201         0.001         Hatthcare Distributors         0.47%         0.28         0.001           Specialized Finance         0.39%         0.201         0.001         Hitternet Species         0.59%         0.007         0.001           Viersified Charina         0.39%         0.201         0.001         Har Freight Logistics         0.59%         0.007         0.001           Viersified Machinery         1.98%         0.33         0.001         Freight Logistics         0.59%         0.064         0.005           Viersified Kells         0.35%         0.247         0.000         Freight Logistics         0.25%         0.006         0.000<			0.307			128%	0.117	0.00
Bipecializad REITS         0.70%         0.69         0.001         Healthcare Services         0.84%         0.018         0.001           Multilio Insurers         0.44%         0.227         0.001         Computer Hardware         2.47%         0.028         0.001           Viersfield Melas Mining         0.34%         0.241         0.001         Gold         0.27%         0.243         0.001           Deal & Cons. Fuels         0.25%         0.320         0.001         Data Processing & Outsourcing         1.33%         0.244         0.001           Deal & Cons. Fuels         0.35%         0.201         0.001         Hitternet Storikares         0.47%         0.28         0.001           Viersfield Charine         0.35%         0.201         0.001         Hitternet Storikares         0.69%         0.007         0.001           Viersfield Charine         0.35%         0.038         0.001         Purg Retailers         0.62%         0.004         0.009         0.001           Notes Ka Entertainment         1.38%         0.38         0.001         Ford Retailers         0.35%         0.064         0.000           Notads at Scherita         0.5%         0.237         0.000         Ford Retailers         0.35%         0.064								0.00
number         203%         0.48         0.001         Computer Hardware         3.48%         0.029         0.00           Noversifed Metals & Mining         0.37%         0.227         0.001         Managed Health         0.87%         0.029         0.001           Specialized Finance         0.35%         0.221         0.001         Gold         0.27%         0.243         0.001           Specialized Finance         0.25%         0.321         0.001         Healthcare Distributions         0.47%         0.243         0.001           Onter Stell         0.25%         0.201         0.001         Healthcare Distributions         0.47%         0.243         0.001           Overside Chemicals         0.03%         0.206         0.001         Life Sciences To 0.18 Services         0.49%         0.047         0.001           Overside Chemicals         0.03%         0.027         0.000         Eversiones To 0.18 Services         0.25%         0.031         0.000           Oxies & Entertainment         1.38%         0.032         0.000         Eversiones To 0.18 Services         0.25%         0.031         0.000           Oxies & Entertainment         0.28%         0.227         0.000         Eversions         0.25%         0.032								0.00
Muttline Insurérs         0.41%         0.227         0.001         Managed Health         2.97%         0.028         0.001           Specialidad Finance         0.43%         0.214         0.001         Gold         0.27%         0.243         0.001           Specialidad Finance         0.43%         0.214         0.001         Data Processing & Outsourcing         133%         0.048         0.001           Residential RETS         0.03%         0.206         0.001         Internet Software & Services         0.59%         0.097         0.001           OrbersetTid         0.03%         0.206         0.001         AF registric & Services         0.59%         0.097         0.001           Novies & Entertainment         1.33%         0.032         0.001         AF registric & Logistics         0.52%         0.064         0.000           Novies & Entertainment         1.33%         0.032         0.000         Environmental Services         0.25%         0.064         0.000           Novies & Entertainment         1.33%         0.032         0.000         Environmental Services         0.25%         0.064         0.000           Novies & Entertainment         1.33%         0.012         0.000         Environmental Services         0.25%								0.001
Diversified Metals & Mining         0.3%         0.244         0.001         Managed Health         0.87%         0.085         0.000           Specialized Finance         0.43%         0.211         0.001         Gold         0.27%         0.243         0.000           Coals & Cons, Fuels         0.25%         0.352         0.001         Healthcare Distributors         1.47%         0.268         0.001           Construction & Engineering         0.35%         0.206         0.001         Healthcare Distributors         0.47%         0.268         0.001           Overside Chemicals         0.03%         0.206         0.001         Life Sciences To ols & Services         0.45%         0.043         0.000           Overside Chemicals         0.00%         0.071         0.001         Durg Relativers         0.92%         0.043         0.000           Old & Gas Relining         0.23%         0.207         0.000         Environmental Services         0.95%         0.023         0.000           Old & Gas Relining         0.35%         0.527         0.000         Environmental Services         0.95%         0.035         0.000           Old & Gas Relining         0.35%         0.527         0.000         Environmental Services         0.95%								0.00
Special Gons, Fuels         0.43%         0.211         0.001         Oxid         Oxid         0.27%         0.243         0.001           Residential REITs         0.35%         0.201         0.001         Healthcare Distributors         0.47%         0.026         0.001           Residential REITs         0.35%         0.206         0.001         Healthcare Distributors         0.47%         0.026         0.001           Drestified Chemicals         0.35%         0.206         0.001         Hereits Schware & Services         0.59%         0.007         0.001           Movies & Entertainment         1.38%         0.038         0.001         Life Sciences Tools & Services         0.69%         0.024         0.000           Movies & Entertainment         1.38%         0.027         0.000         Insurance Brokers         0.62%         0.042         0.001           Motistial MEITs         0.03%         0.217         0.000         Food Retailers         0.35%         0.030         0.001           Notes & Storage         0.34%         0.127         0.000         Food Retailers         0.35%         0.031         0.000           Notadista M Entits         0.32%         0.217         0.000         Food Retailers         0.35% <td< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>0.00</td></td<>								0.00
Deal & Cons. Fuels         0.25%         0.35%         0.001         Heathcare Distributors         0.47%         0.048         0.001           Office RETS         0.35%         0.201         0.001         Heathcare Distributors         0.47%         0.026         0.001           Orters (RETS         0.35%         0.201         0.001         Heathcare Distributors         0.47%         0.026         0.001           Onversified Chemicals         0.80%         0.071         0.001         Hestineare Distributors         0.82%         0.043         0.001           Oliversified Chemicals         0.80%         0.027         0.000         haure Brokens         0.22%         0.044         0.001           Dia & Sas Diming         0.23%         0.207         0.000         haure Brokens         0.25%         0.023         0.001           Dia & Gas Sarting         0.34%         0.122         0.000         Food Retailers         0.35%         0.027         0.000           Dia & Gas Sarting         0.32%         0.217         0.000         Environmental Services         0.35%         0.016         0.003         0.007         0.000         Diardeatal & Chandralse Retailers         0.46%         0.057         0.000         Diardeatal & Chandralse Retailers								0.00
Residential RETS         0.35%         0.201         0.001         Healthcare Distributors         0.47%         0.268         0.00           Office RETS         0.30%         0.206         0.001         Hiremel Software & Services         0.47%         0.268         0.007           Operafied Chemicals         0.80%         0.071         0.001         Air Freight & Logisites         0.92%         0.043         0.001           Overs & Enterianment         0.38%         0.207         0.000         Insurance Brokers         0.22%         0.044         0.000           Dix & Gas Storage         0.34%         0.32         0.000         Insurance Brokers         0.26%         0.044         0.000           Dix & Gas Storage         0.34%         0.132         0.000         Foor Retailers         0.35%         0.084         0.000           Dix & Gas Storage         0.34%         0.122         0.000         Foor Retailers         0.45%         0.057         0.000           Dix & Gas Storage         0.37%         0.237         0.021         0.000         Education Struites         0.45%         0.65%         0.000           Diversidial RETS         0.37%         0.237         0.000         Heathcare Stopupiers         0.25%         0.066 </td <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>0.048</td> <td>0.00</td>							0.048	0.00
Office REITs         0.30%         0.206         0.001         Internet Software & Services         144%         0.038         0.00           Construction & Engineering         0.37%         0.89         0.001         Life Sciences Tools & Services         0.63%         0.007         0.000           Movies & Entertainment         1.39%         0.028         0.001         Drug Retailers         0.62%         0.064         0.000           Movies & Entertainment         0.23%         0.027         0.000         Insurance Brokers         0.26%         0.123         0.000           Mola Gas Softrage         0.34%         0.122         0.000         Environmental Services         0.35%         0.004         0.000           Dia Gas Softrage         0.34%         0.122         0.000         Environmental Services         0.46%         0.057         0.000           Dia Gas Softrage         0.37%         0.79         0.000         Environmental Services         0.46%         0.033         0.000           Diversified REITs         0.75%         0.727         0.000         Healthcare Suppliers         0.27%         0.422         0.000           Automobile Mardacturers         0.33%         0.171         0.000         Personal Products         0.07%	Residential REITs	0.35%	0.201	0.001		0.47%	0.126	0.00
Construction & Engineering         0.3%         0.89         0.001         Life Sciences Tools & Services         0.69%         0.007         0.00           Diversified Chemicisals         0.80%         0.001         0.001         Preprint Registra         0.62%         0.004         0.000           Movies & Entertainment         133%         0.028         0.001         Drug Retailers         0.62%         0.004         0.000           Movies & Entertainment         0.33%         0.207         0.000         Insurance Brokers         0.26%         0.12         0.001           Di& Gas Scienze         0.34%         0.32         0.000         Fore Retailers         0.36%         0.084         0.000           Di& Gas Scienze         0.44%         0.32         0.000         Fore Retailers         0.36%         0.084         0.000           Direadida St Cable TV         0.22%         0.85         0.000         Education Services         0.9%         0.18         0.000           Notestial ETS         0.45%         0.422         0.000         Fore Retailers         0.4%         0.053         0.000           Numitum         0.25%         0.21         0.000         Brewers         0.07%         0.42%         0.000	Office REITs		0.206	0.001		164%	0.036	0.00
Diversified Chemicals         0.00%         0.071         0.001         Air Freight & Logistics         0.92%         0.043         0.00           Movies & Entertainment         138%         0.23%         0.207         0.000         Drug Retailers         0.62%         0.064         0.00           No vies & Entertainment         109%         0.044         0.000         Environmental Services         0.35%         0.026         0.000           No Sta Gas Drining         0.99%         0.217         0.000         Environmental Services         0.48%         0.000         0.000         Constraint Services         0.48%         0.000         0.000         Constraint Services         0.48%         0.000         0.000         Constraint Services         0.48%         0.000         0.000         0.000         Constraint Services         0.48%         0.000         Natresettaints         0.28%         0.18         0.000         Natresettaints         0.28%         0.001         0.000         Natresettaints         0.28%								0.00
Movies & Enterlainment         138%         0.038         0.001         Drug Reiters         0.62%         0.044         0.00           Dil & Gas Drilling         0.23%         0.207         0.000         Insurance Brokers         0.26%         0.024         0.00           Dil & Gas Storage         0.34%         0.132         0.000         Foord Retailers         0.46%         0.025         0.026           Dil & Gas Refining         0.99%         0.247         0.000         Foord Retailers         0.35%         0.004         0.000           Dires Retailers         0.46%         0.057         0.000         Foord Distributors         0.99%         0.333         0.000           Divestified REITs         0.09%         0.361         0.000         Personal Products         0.27%         0.186         0.000           Automobile Manufacturers         0.99%         0.361         0.000         Personal Products         0.27%         0.189         0.000           Automobile Manufacturers         0.33%         0.011         0.000         Reinsurance         0.09%         0.038         0.000           Automobile Manufacturers         0.55%         0.056         0.000         Reinsurance         0.09%         0.034         0.000			0.071	0.001			0.043	0.000
Dilà Gas Drilling         0.23%         0.207         0.000         Insurance Brokers         0.26%         0.23         0.00           Industrial Machinery         109%         0.044         0.000         Environmental Services         0.35%         0.084         0.000           Ià Gas Storage         0.34%         0.152         0.000         General Marchadise Retailers         0.46%         0.007         0.000           Diradcast & Cable TV         0.22%         0.85         0.000         General Marchadise Retailers         0.46%         0.057         0.000           Diversified REITs         0.07%         0.237         0.000         Food Distibutors         0.9%         0.16         0.000           Automobile Manufacturers         0.361         0.000         Personal Products         0.2%         0.42%         0.000           Aluminum         0.1%         0.294         0.000         Personal Products         0.2%         0.08         0.000           Aluminum         0.4%         0.622         0.000         Personal Products         0.2%         0.03         0.00           Aluminum         0.4%         0.623         0.000         Parle Actailers         0.0%         0.08         0.000           Aluminum								0.000
Industrial Machinery         109%         0.044         0.000         Environmental Services         0.35%         0.084         0.000           018 Gas Storage         0.34%         0.132         0.000         Food Retailers         0.30%         0.080         0.000           018 Gas Refining         0.19%         0.27         0.000         General Merchandise Retailers         0.46%         0.081         0.000           Direadicats & Cable TV         0.22%         0.85         0.000         Education Services         0.8%         0.133         0.00           Diversified RETI's         0.32%         0.21         0.000         Healthcare Suppliers         0.2%         0.142         0.00           Automobile M anufacturers         0.33%         0.101         0.000         Brewers         0.07%         0.189         0.00           Automobile M fortgages         0.244         0.000         Automobile Retailers         0.23%         0.031         0.000           Appared & Accessories         0.33%         0.071         0.000         Reinsurance         0.07%         0.084         0.000           Semiconductor Equipment         0.66%         0.032         0.000         Metal Caless Containers         0.19%         0.047         0.000								0.000
Dil & Gas Storage         0.34%         0.152         0.000           Oll & Gas Refining         0.19%         0.217         0.000         General Merchandise Retailers         0.46%         0.057           Oradcast & Cabe TV         0.22%         0.85         0.000         Food Retailers         0.46%         0.057         0.000           Diversified REITs         0.17%         0.237         0.000         Food Retailers         0.46%         0.033         0.000           Industrial REITs         0.07%         0.237         0.000         Healthcare Suppliers         0.2%         0.18         0.000           Automobile M anufacturers         0.33%         0.01         0.000         Personal Products         0.2%         0.033         0.000           Automobile M anufacturers         0.33%         0.01         0.000         Reinsurance         0.07%         0.66         0.000           Automobile M anufacturers         0.33%         0.011         0.000         Reinsurance         0.07%         0.068         0.000           Automobile M anufacturers         0.33%         0.021         0.002         Matomatilers & Wintrers         0.09%         0.033         0.000           Automobile M anufacture Seaconies         0.35%         0.05								0.000
Dil & Gas Refining         0.9%         0.27         0.000         Genal Merchandise Retailers         0.46%         0.057         0.000           Broadcast & Cable TV         0.22%         0.75         0.000         Education Services         0.15%         0.133         0.000           Viersified REITs         0.07%         0.237         0.000         Food Distributors         0.15%         0.16%         0.133         0.000           Houstrial REITs         0.09%         0.361         0.000         Personal Products         0.2%         0.18         0.000           Automobile Manufacturers         0.33%         0.01         0.000         Personal Products         0.2%         0.028         0.000           Automobile Manufacturers         0.35%         0.071         0.000         Automotive Retailers         0.07%         0.69         0.000           Apparel & Accessories         0.35%         0.071         0.000         Reinsurance         0.07%         0.087         0.000           Apparel Retailers         0.67%         0.032         0.000         Metaryance         0.07%         0.007         0.000           Seniconductor Equipment         0.67%         0.025         0.000         Metary Mitikes         0.8%         0.064 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>0.000</td>								0.000
Bradacst & Cable TV         0.22%         0.85         0.000         Efucation Services         0.8%         0.133         0.00           Diversified REITs         0.17%         0.237         0.000         Headthors         0.19%         0.16         0.000           Industrial REITs         0.09%         0.361         0.000         Healthcare Suppliers         0.2%         0.142         0.000           Automobile Manfacturers         0.33%         0.01         0.000         Brewers         0.07%         0.169         0.000           Automobile Manfacturers         0.35%         0.071         0.000         Automotive Retailers         0.23%         0.038         0.000           Apparel & Accessories         0.35%         0.071         0.000         Reinsurance         0.0%         0.038         0.000           Semiconductor Equipment         0.66%         0.036         0.000         Distributors         0.09%         0.087         0.000           Semiconductor Equipment         0.47%         0.55         0.000         Metal & Class Containers         0.6%         0.000           Specialized Consumer Services         0.3%         0.096         0.000         Metal & Class Containers         0.6%         0.006         0.000								0.000
Diversified REITs         0.17%         0.237         0.000         Food Distributors         0.1%         0.16         0.00           fotels         0.32%         0.21         0.000         Healthcare Suppliers         0.2%         0.142         0.00           hotes         0.33%         0.11         0.000         Personal Products         0.2%         0.142         0.00           Numinum         0.1%         0.24%         0.000         Brewers         0.07%         0.189         0.000           Numinum         0.1%         0.24%         0.022         0.000         Brewers         0.07%         0.180         0.000           Apparel & Accessories         0.35%         0.071         0.000         Reinsurance         0.05%         0.027         0.000           Sectrical Components & Equipment         0.67%         0.032         0.000         Metalerss Containers         0.5%         0.06%         0.067         0.000           Sectrical Components & Equipment         0.67%         0.032         0.000         Metale Class Containers         0.5%         0.047         0.000           Department Stores         0.35%         0.056         0.000         Metale Class Containers         0.5%         0.05%         0.024 </td <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>0.000</td>								0.000
Incles         0.32%         0.21         0.000         Healthcare Suppliers         0.2%         0.442         0.000           Automobile Manufacturers         0.33%         0.011         0.000         Personal Products         0.2%         0.066         0.000           Automobile Manufacturers         0.33%         0.011         0.000         Brewers         0.2%         0.066         0.000           Automobile Manufacturers         0.35%         0.071         0.000         Automotive Retailers         0.23%         0.038         0.000           Apparel & Accessories         0.35%         0.071         0.000         Distillers & Vinteers         0.09%         0.03         0.000           Apparel & Accessories         0.35%         0.071         0.000         Reinsurance         0.09%         0.084         0.000           Semiconductor Equipment         0.66%         0.036         0.000         Distributors         0.09%         0.084         0.000           Specialty Stores         0.37%         0.056         0.000         Autor Vinteers         0.05%         0.006         0.000           Auto Parts & Equipment         0.24%         0.053         0.000         Distributors         0.03%         0.096         0.000								0.000
Industrial REITs         0.09%         0.361         0.000         Personal Products         0.27%         0.066         0.00           Automobile Manufacturers         0.33%         0.01         0.000         Personal Products         0.27%         0.038         0.00           Automobile Manufacturers         0.33%         0.01         0.000         Automotive Retailers         0.23%         0.038         0.00           Automotive Retailers         0.23%         0.038         0.000         Distributors         0.09%         0.031         0.00           Apparel & Accessories         0.35%         0.071         0.000         Distributors         0.09%         0.033         0.00           Apparel Accessories         0.35%         0.071         0.000         Distributors         0.09%         0.087         0.00           Apparel Accessories         0.35%         0.056         0.000         Specialized Consumer Services         0.18%         0.040         0.00           Apparel Accessories         0.37%         0.056         0.000         Specialized Consumer Services         0.18%         0.040         0.00           Opartent Stores         0.37%         0.056         0.000         Auto Parte Sequipment         0.24%         0.086								0.000
Automobile Manufacturers         0.33%         0.01         0.000         Brewers         0.07%         0.159         0.00           Aluminum         0.17%         0.294         0.022         0.000         Autonive Retailers         0.23%         0.038         0.00           Apparel & Accessories         0.35%         0.071         0.000         Reinsurance         0.07%         0.08         0.00           Apparel & Accessories         0.35%         0.071         0.000         Reinsurance         0.07%         0.084         0.00           Apparel & Accessories         0.67%         0.032         0.000         Meinsurance         0.07%         0.087         0.000           Apparel Retailers         0.67%         0.025         0.000         Meisscontairers         0.6%         0.036         0.000           Semiconductor Equipment         0.47%         0.025         0.000         Meather Echnology         0.08%         0.064         0.000           Department Stores         0.35%         0.066         0.000         Meatr Utilities         0.03%         0.096         0.00           Casines & Gaming         0.47%         0.085         0.000         Mater Utilities         0.03%         0.096         0.00      <								0.000
Aluminum         0.1%         0.294         0.000         Auontive Retailers         0.23%         0.038         0.00           Thrifts & Mortgages         0.24%         0.72         0.000         Reinsurance         0.09%         0.038         0.00           Apparel & Accessories         0.35%         0.071         0.000         Reinsurance         0.09%         0.084         0.00           Apparel Retailers         0.67%         0.032         0.000         Distillers & Vinthers         0.09%         0.087         0.008           Apparel Retailers         0.67%         0.032         0.000         Distillers & Vinthers         0.09%         0.087         0.000           Semiconductor Equipment         0.47%         0.051         0.000         Specialized Consumer Services         0.13%         0.047         0.000           Department Stores         0.37%         0.056         0.000         Water Utilities         0.03%         0.096         0.000           Auto Parts & Equipment         0.24%         0.053         0.000         Feesa Products         0.65%         0.020         Feesa Products         0.03%         0.096         0.000           Auto Parts & Equipment         0.02%         0.032         0.000         Feesa Product	Automobile Manufacturers							0.000
Thrifts & Mortgages         0.24%         0.52         0.000         Distillers & Vintners         0.09%         0.03         0.00           Apparel & Accessories         0.35%         0.071         0.000         Reinsurance         0.09%         0.084         0.00           Apparel & Accessories         0.67%         0.032         0.000         Metal & Class Containers         0.09%         0.087         0.00           Apparel Retailers         0.67%         0.022         0.000         Metal & Class Containers         0.5%         0.04%         0.087         0.00           Semiconductor Equipment         0.47%         0.025         0.000         Metal & Class Containers         0.5%         0.047         0.000           Department Stores         0.35%         0.056         0.000         Healthcare Technology         0.08%         0.064         0.000           Operating & 0.15%         0.056         0.000         Autor Utilities         0.03%         0.096         0.000           Casines & Gaming         0.15%         0.066         0.000         0.000         Electrical Ruipment         0.22%         0.02%         0.030         0.000           Paper Products         0.16%         0.086         0.000         Metor Utilities         <								0.000
Apparel & Accessories         0.35%         0.071         0.000         Reinsurance         0.10%         0.084         0.00           Detertical Components & Equipment         0.66%         0.036         0.000         Distributors         0.09%         0.08%         0.06         0.00           Semiconductor Equipment         0.47%         0.051         0.000         Specialized Consumer Services         0.13%         0.047         0.00           Homebuilding         0.17%         0.725         0.000         Specialized Consumer Services         0.13%         0.047         0.00           Speciality Stores         0.35%         0.056         0.000         Water Utilities         0.03%         0.064         0.00           Sainos & Gaming         0.67%         0.088         0.000         0.000         0.001         0.002         0.006         0.000         0.006         0.000         0.006         0.000         0.006         0.000         0.006         0.000         0.006         0.000         0.001         0.006         0.000         0.006         0.000         0.006         0.000         0.006         0.000         0.006         0.000         0.006         0.000         0.006         0.000         0.006         0.000         0								0.000
Electrical Components & Equipment         0.66%         0.036         0.000         Matrix         0.09%         0.087         0.00           Apparel Retailers         0.67%         0.032         0.000         Metal & Glass Containers         0.8%         0.040         0.000           Semiconductor Equipment         0.47%         0.025         0.000         Metal & Glass Containers         0.8%         0.047         0.00           Operativent Stores         0.37%         0.025         0.000         Healthcare Technology         0.08%         0.064         0.000           Speciality Stores         0.37%         0.058         0.000         Water Utilities         0.03%         0.096         0.000           Speciality Stores         0.15%         0.086         0.000         Water Utilities         0.03%         0.096         0.000           Pare Products         0.16%         0.086         0.000         0.000         0.000         0.000         0.001         0.001         0.001         0.001         0.001         0.001         0.002         0.002         0.000         0.000         0.001         0.001         0.002         0.000         0.001         0.001         0.001         0.001         0.002         0.002         0.002								0.000
Apparel Retailers         0.67%         0.032         0.000         M sta & Glass Containers         0.8%         0.040         0.00           Semiconductor Equipment         0.47%         0.051         0.000         Specialized Consumer Services         0.8%         0.040         0.00           Department Stores         0.35%         0.056         0.000         Healthcare Technology         0.08%         0.064         0.00           Department Stores         0.37%         0.058         0.000         Water Utilities         0.03%         0.096         0.00           Specially Stores         0.37%         0.056         0.000         Water Utilities         0.03%         0.096         0.00           Auto Parts & Equipment         0.24%         0.033         0.000         Paper Products         0.16%         0.064         0.000           Electrical Manufacturing Services         0.12%         0.030         0.000         Paper Products         0.02%         0.329         0.000           Multisector Holdings         0.04%         0.88         0.000         Pater Values         Value Values								0.000
Semiconductor Equipment         0.4 %         0.051         0.000         Specialized Consumer Services         0.13%         0.047         0.00           Homebuilding         0.77%         0.25         0.000         Heatthcare Technology         0.08%         0.064         0.00           Department Stores         0.37%         0.056         0.000         Heatthcare Technology         0.08%         0.06%         0.006         0.000           Speciality Stores         0.37%         0.058         0.000         0.03%         0.096         0.000           Casinos & Gaming         0.16%         0.084         0.000         0.000         0.03%         0.096         0.000           Auto Parts & Equipment         0.24%         0.053         0.000         0.00								0.000
Homebuilding         0.17%         0.25         0.000         Healthcare Technology         0.08%         0.064         0.00           Department Stores         0.35%         0.056         0.000         Water Utilities         0.03%         0.096         0.000           Department Stores         0.35%         0.086         0.000         Water Utilities         0.03%         0.096         0.000           Casinos & Gaming         0.18%         0.086         0.000         0.000         0.03%         0.096         0.000           Paper Products         0.16%         0.064         0.000 <td< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>0.000</td></td<>								0.000
Department Štores         0.35%         0.056         0.000           Specialty Stores         0.37%         0.058         0.000           Specialty Stores         0.37%         0.058         0.000           Salmos & Gaming         0.16%         0.066         0.000           Valo Parts & Equipment         0.24%         0.063         0.000           Paper Products         0.16%         0.064         0.000           Department         0.22%         0.020         0.000           Products         0.02%         0.329         0.000           Valitisector Holdings         0.04%         0.81         0.000           Valorizational Amufacturers         0.05%         0.022         0.000           Obstructs         0.02%         0.022         0.000           Commercial Printers         0.05%         0.022         0.000           Commercial Printers         0.05%         0.022         0.000           Commercial Printers         0.05%         0.063         0.000           Commercial Printers         0.05%         0.063         0.000           Commercial Printers         0.07%         0.078         0.000           Commercial Printers         0.07% <t< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>0.000</td></t<>								0.000
Specially Stores         0.3 %         0.058         0.000           Casinos & Gaming         0.16%         0.086         0.000           Valo Parts & Equipment         0.24%         0.053         0.000           Paper Products         0.16%         0.004         0.000           Paper Products         0.16%         0.000         0.000           Paper Products         0.16%         0.000         0.000           Vultisector Holdings         0.02%         0.329         0.000           Vultisector Holdings         0.04%         0.811         0.000           Vultisector Holdings         0.19%         0.034         0.000           Vultisector Holdings         0.05%         0.722         0.000           Otorcycle Manufacturing         0.22%         0.022         0.000           Commercial Printers         0.05%         0.722         0.000           Consumer Electronics         0.02%         0.033         0.000           Consumer Electronics								0.000
Casinos & Gaming     0.15%     0.086     0.000       Juto Parts & Equipment     0.24%     0.053     0.000       Paper Products     0.16%     0.086     0.000       Electrical Manufacturing Services     0.02%     0.020     0.000       Orrest & Rubber     0.02%     0.329     0.000       Orrest Products     0.08%     0.088     0.000       Julishing & Printing     0.95%     0.72     0.000       Alotorcycle Manufacturers     0.05%     0.72     0.000       Commercial Printing     0.22%     0.022     0.000       Commercial Printing     0.22%     0.022     0.000       Commercial Printings     0.05%     0.72     0.000       Commercial Printings     0.05%     0.72     0.000       Commercial Printings     0.05%     0.023     0.000       Commercial Printings     0.05%     0.083     0.000       Commercial Printings     0.05%     0.083     0.000       Consumer Electronics     0.02%     0.093     0.000       Controlity Chemicals     0.01%     0.178     0.000       Subtotal:     36.98%     5.1%     Subtotal:     44.20%     -4.64*						0.0070	0.000	0.000
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Commodity Chemicals 0.01% 0.178 0.000 Subtotal: 36.98% 5.14% Subtotal: 44.20% -4.64								
	Subtotal:	36.98%		5.14%	Subtotal:	44.20%		-4.64%
					Total:	81.18%		0.50%

## Integrated Oils' Relative Performance & Crude Oil Prices

### From A Recent Market Facts



Let's map three month-ahead returns on twelve-month crude oil strip prices as a function of the relative performance of the Integrated Oil group and the strip prices themselves. Positive prospective crude oil returns are depicted with blue bubbles; negative prospective returns in white bubbles. The current values are marked with a green bombsight; the last datum, April 1, 2010, is highlighted with a magenta torus.

The April 1st observation was three weeks before the Deepwater Horizon drilling rig disaster; even with the negative news swirling about the industry, today's relative performance for the Integrated Oil group is essentially unchanged from that day; 12-month crude oil strip prices are 6.4% lower at present.

To-date, the U.S. Integrated Oil group (BP is not a member) has remained relatively unaffected by the disaster and by speculation regarding the future of deepwater drilling in U.S. waters. In addition, 12-month strip prices for West Texas Intermediate have remained within their 2010 range.

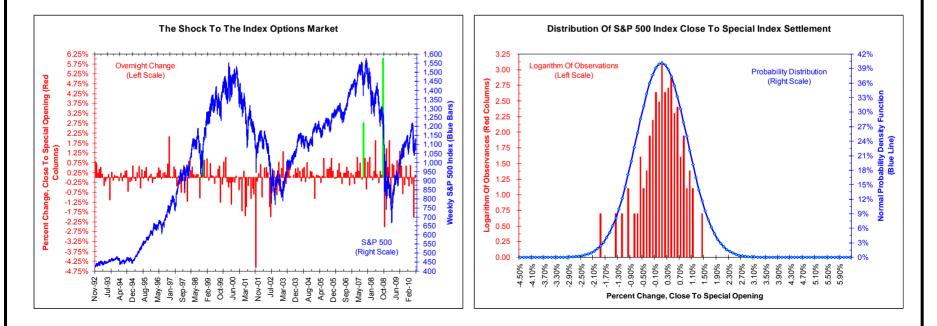
### **Revisiting Index Options Settlement's Risk**

### From A Recent Market Facts

We last visited <u>unusual activity</u> in the special settlement of index options following the massive opening gap of September 19, 2008. Index options based on the S&P 500 (blue bars, left-hand chart), cease trading on (generally) a Thursday afternoon and are priced against a special settlement index the following (generally) Friday morning. The special settlement is calculated from the opening prices of all 500 stocks in the index and their index weights. The close-to-special opening return (red columns) can be significant, but option traders know how to hedge all but the most extreme and unexpected risks.

The gap between the Thursday close and the Friday special opening that day was 6.03% (second green vertical column). The first green vertical column coincided with the August 17, 2007 pre-opening rate cut by the Federal Reserve.

We wonder what the official reaction would be if moves such as these were 1) negative and 2) the result of private trading activity. No, we really do not wonder; it is one of those truths we hold to be self-evident.



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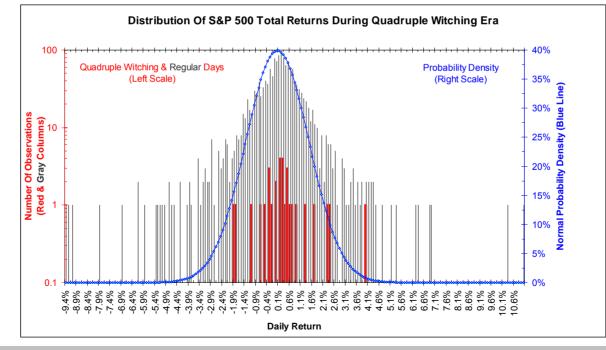
## The Upside Bias Of Quadruple Witching Remains

### From A Recent Market Facts

Traders looking for expiration-related entertainment had to wait for <u>those moments</u> when the Federal Reserve engaged in surprise rate-cuts (younger traders may need to be reminded these once were considered bullish) or when Congress decided to spend money it did not have to rescue the financial system from itself.

As before, we can calculate the daily returns on the S&P 500 total return series from December 20, 2002 onwards and create frequency histograms for the quadruple witching and regular days (red and gray columns, respectively). We see a positive skew in the quadruple witching days; the average return for the quadruple witching days of 0.297% has a positive skew of 0.927; the average return for all other days of 0.0287% has a negative skew, -0.304. We can be 78.5% confident the two distributions are different statistically.

The June 18, 2010 quadruple-witching expirations were the first in our new flash-crash era. It will be interesting to see how returns on the less-volatile (1.16% standard deviation of returns, as opposed to 1.42%  $\sigma$  on regular days) quadruple-witching days progress over time.



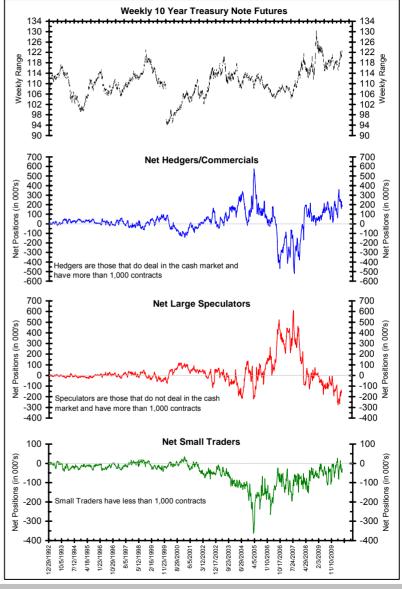
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### **10-Year Treasury Note Futures: No Trend-Followers Need Apply**

# From Our Latest Commitment Of Traders Update

Friday's Commitments of Traders data for 10-Year Treasury note futures showed Hedgers were net long 188,968 contracts on June 29. At the same time, Friday's report showed the Large Speculators were net short 161,338 contracts on June 29.

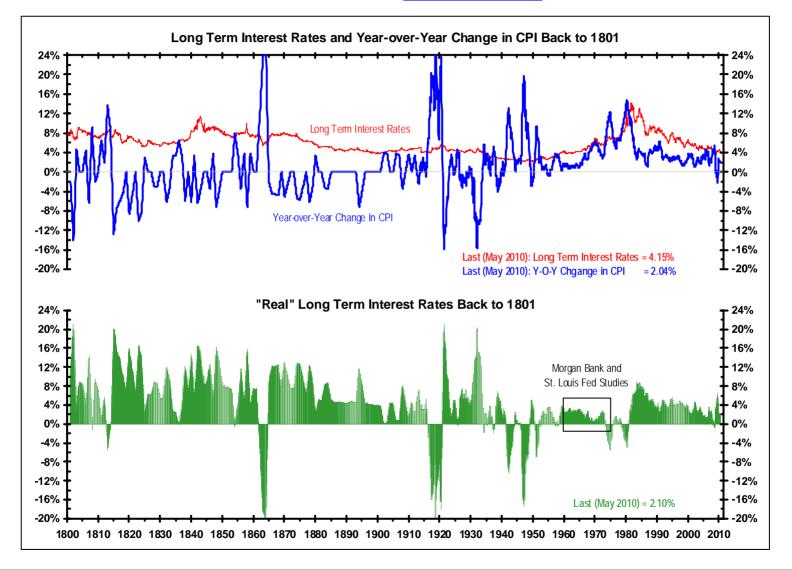
The Large Speculators have been busy covering their short positions. As yields have been doing nothing but moving lower for weeks, the real question remains why have they been net short?



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### LT Interest Rates & YoY Change In CPI Back to 1801

From Our Collection of Long-Term Charts



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