

# Bianco Research L.L.C.

An Arbor Research & Trading Affiliated Company

Independent • Objective • Original

Volume 19, No.12

1731 North Marcey, Chicago IL 60614

www.biancoresearch.com

## Total Return Review

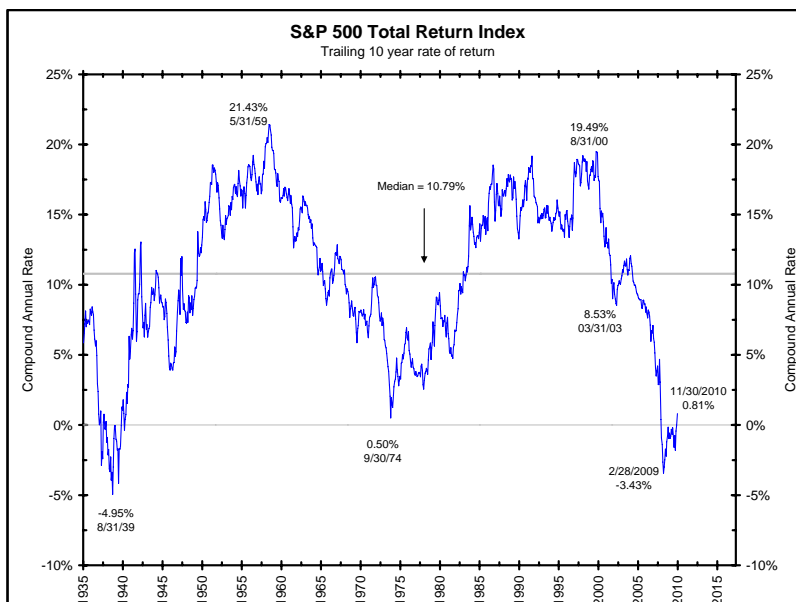
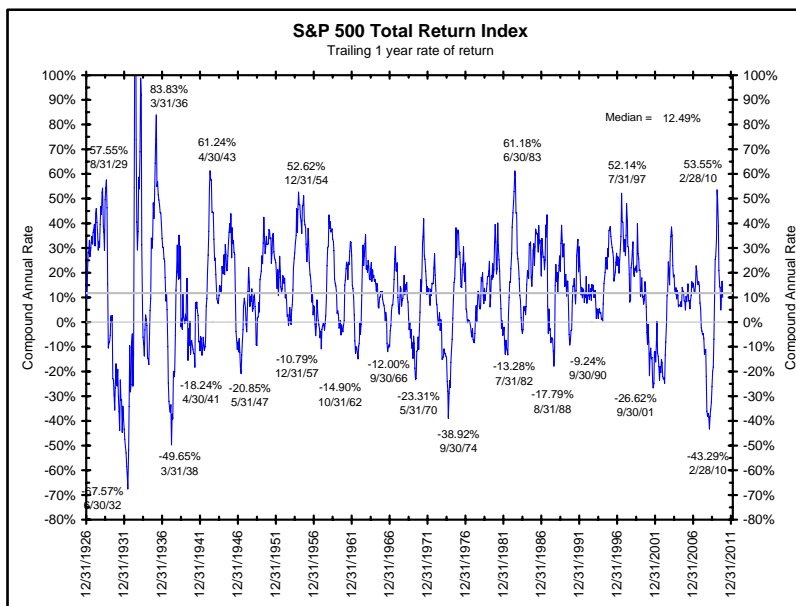
Viewing the Markets from a Total Return Perspective

By Greg Blaha (847) 304-1511

and Ryan Malo (847) 304-1511

December 1, 2010

### A Long Term Look At Stock Returns



## U.S. Fixed Income Total Returns

	As of 11/30/10			Annualized Ending 11/30/10			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
<b>Treasury Cash:</b>	<b>0.01%</b>	<b>0.03%</b>	<b>0.19%</b>	<b>0.18%</b>	<b>1.06%</b>	<b>2.59%</b>	<b>2.48%</b>
3 Month	0.01%	0.02%	0.11%	0.11%	0.88%	2.49%	2.44%
6 Month	0.00%	0.05%	0.33%	0.34%	1.58%	3.03%	2.84%
<b>Treasury Coupons:</b>	<b>-0.91%</b>	<b>-2.14%</b>	<b>9.93%</b>	<b>5.70%</b>	<b>6.34%</b>	<b>6.59%</b>	<b>5.84%</b>
2 Year	-0.16%	0.05%	2.46%	1.67%	3.70%	4.50%	4.23%
5 Year	-1.07%	-0.51%	9.27%	6.31%	6.93%	6.85%	6.02%
10 Year	-1.01%	-1.60%	12.46%	7.00%	6.76%	6.54%	6.10%
30 Year	-1.48%	-6.41%	12.80%	5.20%	5.52%	5.71%	6.59%
<b>Treasury Strips:</b>	<b>-1.79%</b>	<b>-5.91%</b>	<b>14.96%</b>	<b>7.35%</b>	<b>7.02%</b>	<b>7.16%</b>	<b>8.61%</b>
5 Year	-0.81%	-0.21%	10.09%	7.36%	7.85%	7.65%	6.92%
10 Year	-0.99%	-1.61%	17.46%	11.58%	9.86%	9.05%	8.46%
15 Year	-2.37%	-5.72%	18.85%	9.67%	8.43%	8.08%	8.65%
20 Year	-2.20%	-8.46%	17.64%	7.55%	6.16%	6.90%	8.22%
25 Year	-0.90%	-9.79%	15.26%	5.74%	4.07%	5.70%	7.64%
<b>Broad Indices</b>							
Merrill Lynch Domestic Master	-0.60%	-0.28%	7.67%	5.81%	6.42%	6.32%	6.21%
Barclay's (Lehman) Aggregate	-0.57%	-0.21%	7.72%	6.04%	6.39%	6.23%	6.15%
Barclay's (Lehman) Government/Credit	-0.79%	-0.78%	8.09%	6.18%	6.17%	6.06%	6.19%
<b>Government Indices</b>							
Barclay's (Lehman) Government	-0.67%	-0.73%	7.27%	4.83%	5.73%	6.00%	5.81%
Barclay's (Lehman) Treasury	-0.70%	-0.86%	7.81%	5.00%	5.77%	6.07%	5.81%
Barclay's (Lehman) Agency	-0.55%	-0.18%	5.20%	3.90%	5.47%	5.76%	5.76%
<b>Agency Benchmarks</b>							
2 Year	-0.34%	-0.04%	2.80%	2.35%	4.18%	4.76%	4.72%
5 Year	-1.08%	-0.07%	8.63%	6.12%	7.65%	7.34%	6.81%
10 Year	-1.39%	-0.82%	8.77%	5.44%	7.72%	7.48%	7.59%
30 Year	-1.26%	-3.27%	11.90%	7.79%	7.20%	6.85%	8.29%
<b>Other Indices</b>							
Merrill Corporate	-0.86%	-0.65%	10.57%	9.46%	7.24%	6.36%	6.91%
Barclay's (Lehman) Mortgage	-0.18%	0.80%	5.95%	4.45%	6.81%	6.66%	6.11%
Barclay's (Lehman) Inflation Notes ("TIPS")	-1.69%	0.92%	7.98%	5.61%	5.46%	5.91%	7.30%
Merrill High Yield	-1.12%	1.28%	13.20%	16.74%	9.59%	8.63%	8.81%
Merrill Municipal	-2.29%	-2.53%	4.38%	5.03%	4.76%	4.67%	5.69%

Treasury Cash: Equal-weighted total-return avg. of the Treasury yield curve from 3 to 12 month maturities.

Treasury Coupons: Equal-weighted total-return avg. of the Treasury yield curve from 2 to 30 year maturities.

Treasury Strips: Equal-weighted total-return average of Treasury Strips from 1 year to 30 years.

Sources: Bloomberg, Barclay's (Lehman Brothers), Merrill Lynch and Arbor Research & Trading

## Total Return Comparisons: The "Bullet" versus "Barbells"

Portfolio Type*	As of 11/30/10					
	MTD	Diff.	QTD	Diff.	YTD	Diff.
<b>Bullet (4.96 Duration)</b>	<b>-0.81%</b>		<b>-0.21%</b>		<b>10.09%</b>	
5 yr and 10 yr	-1.07%	-0.26%	-0.55%	-0.34%	9.40%	-0.69%
5 yr and 30 yr	-1.08%	-0.27%	-0.58%	-0.37%	9.32%	-0.77%
2 yr and 10 yr	-0.54%	0.27%	-0.68%	-0.47%	6.90%	-3.19%
2 yr and 30 yr	-0.42%	0.38%	-1.23%	-1.02%	4.51%	-5.58%
Cash and 10 yr	-0.56%	0.24%	-0.89%	-0.68%	7.02%	-3.07%
Cash and 30 yr	-0.41%	0.39%	-1.79%	-1.58%	3.69%	-6.40%
Cash and 25 yr Strips	-0.17%	0.63%	-1.89%	-1.68%	3.07%	-7.02%

\*This analysis compares the total return of the 5-Year Strip or the "bullet" to cash neutral, duration neutral barbells.

Its purpose is to quantify the effect of the yield curve on total return.

Sources: Bloomberg and Merrill Lynch

## World Fixed-Income Total Returns (in U.S. Dollars)

	in U.S. Dollars						
	As of 11/30/10			Annualized Ending 11/30/10			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
<b>J. P. Morgan Government Bond Indices</b>							
<b>Country</b>							
Canada	-2.01%	-1.27%	8.68%	7.30%	4.81%	8.01%	10.61%
France	-7.33%	-6.47%	-3.29%	-8.25%	2.75%	6.74%	9.88%
Germany	-6.55%	-5.95%	-2.24%	-7.49%	2.87%	6.92%	9.88%
Italy	-10.22%	-8.53%	-9.77%	-13.87%	0.24%	5.12%	9.32%
Japan	-4.97%	-1.83%	13.11%	4.77%	12.27%	9.41%	4.66%
United Kingdom	-3.19%	-3.16%	3.83%	-0.55%	-2.42%	3.03%	6.44%
United States	-0.70%	-0.86%	8.07%	5.18%	5.94%	6.23%	5.96%
<b>Region</b>							
Europe	-7.56%	-6.69%	-4.28%	-8.96%	1.15%	5.70%	9.21%
Global	-4.49%	-3.22%	4.87%	-0.37%	5.99%	7.26%	7.34%
Global Non-United States	-6.17%	-4.30%	3.60%	-2.45%	6.01%	7.58%	7.76%
<b>J. P. Morgan Emerging Markets Bond Indices</b>							
EMBI Plus	-3.41%	-1.65%	12.57%	12.79%	8.80%	8.97%	11.14%
<b>Region</b>							
Latin	-3.97%	-1.78%	12.79%	11.83%	7.94%	8.70%	9.40%
Non-Latin	-2.83%	-1.52%	12.34%	13.84%	9.82%	9.19%	14.88%

## World Fixed-Income Total Returns (in Local Currency)

	in Local Currency						
	As of 11/30/10			Annualized Ending 11/30/10			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
<b>J. P. Morgan Government Bond Indices</b>							
<b>Country</b>							
Canada	-1.09%	-1.15%	6.48%	4.54%	5.77%	5.26%	6.24%
France	-1.05%	-1.91%	6.59%	5.82%	6.95%	4.64%	5.55%
Germany	-0.22%	-1.37%	7.75%	6.69%	7.07%	4.82%	5.55%
Italy	-4.14%	-4.07%	-0.55%	-0.66%	4.33%	3.06%	5.00%
Japan	-1.17%	-1.56%	1.78%	1.88%	2.24%	1.88%	1.78%
United Kingdom	-0.61%	-2.01%	7.66%	4.79%	7.05%	5.23%	5.45%
United States	-0.70%	-0.86%	8.07%	5.18%	5.94%	6.23%	5.96%
<b>Region</b>							
Europe	-2.04%	-2.80%	4.25%	3.25%	6.00%	4.18%	5.33%
Global	-1.32%	-1.77%	4.74%	3.58%	4.82%	3.98%	4.48%
Global Non-United States	-1.60%	-2.17%	3.28%	2.73%	4.37%	3.23%	3.96%

Sources: Bloomberg and J. P. Morgan & Co. Incorporated (<http://www.jpmorgan.com/>)

## U. S. Equity Total Returns

	As of 11/30/10			Annualized Ending 11/30/10			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
<b>Broad Market</b>							
Dow Jones Industrials <sup>2</sup>	-0.61%	2.58%	8.32%	9.36%	-3.61%	3.01%	2.96%
NASDAQ Composite <sup>1</sup>	-0.20%	5.70%	11.17%	17.69%	-1.10%	3.21%	0.40%
NASDAQ 100 <sup>2</sup>	-0.15%	6.19%	14.66%	20.72%	1.13%	5.46%	-1.28%
Russell 1000 <sup>4</sup>	0.33%	4.23%	8.83%	11.48%	-4.66%	1.30%	1.29%
Russell 2000 <sup>4</sup>	3.47%	7.70%	17.52%	26.98%	-0.37%	2.79%	6.40%
Russell 3000 <sup>4</sup>	0.58%	4.51%	9.51%	12.63%	-4.33%	1.42%	1.66%
S&P 500 (Capitalization Weighted) <sup>3</sup>	0.02%	3.82%	7.88%	9.96%	-5.14%	0.99%	0.81%
S&P 500 (Equal Weighted) <sup>1</sup>	0.90%	4.51%	13.74%	18.99%	-0.39%	3.48%	6.60%
S&P 400 MidCap <sup>3</sup>	2.97%	6.52%	18.86%	26.32%	1.29%	4.54%	7.27%
S&P 600 SmallCap <sup>3</sup>	3.56%	7.97%	17.36%	27.48%	0.25%	2.93%	8.12%
Wilshire 5000 <sup>1</sup>	0.53%	4.44%	9.66%	12.62%	-4.26%	1.57%	2.01%
<b>Interest Rate Sensitive</b>							
PSE Electric Utility Index <sup>2</sup>	-2.97%	-1.79%	2.73%	7.98%	13.10%	15.76%	10.86%
KBW Bank Stock Index <sup>2</sup>	-1.52%	-2.95%	5.69%	1.56%	-21.86%	-13.70%	-3.55%
S&P 500 Financial Index <sup>2</sup>	0.21%	1.65%	2.18%	0.63%	-20.22%	-12.17%	-3.73%
<b>Other Indices</b>							
Morgan Stanley Consumer Index <sup>2</sup>	-1.46%	1.48%	8.59%	9.25%	0.74%	6.44%	4.35%
Morgan Stanley Cyclical Index <sup>2</sup>	2.53%	7.97%	16.34%	23.62%	0.94%	6.57%	9.73%
S&P 500/Barra Growth <sup>3</sup>	0.49%	5.52%	9.38%	11.71%	-2.19%	2.49%	0.03%
S&P 500/Barra Value <sup>3</sup>	-0.46%	2.12%	6.38%	8.26%	-8.27%	-0.63%	1.37%
Gold/Silver Stock Index <sup>2</sup>	4.41%	8.38%	27.61%	16.91%	8.49%	14.27%	17.88%

Sources: <sup>1</sup> Wilshire Associates Incorporated (<http://www.wilshire.com>) and Ryan Labs Inc.

<sup>2</sup> Bloomberg L.P. and Ryan Labs Inc.

<sup>3</sup> BARRA, Inc. (<http://www.barra.com>) and Standard & Poors (<http://www.spglobal.com>)

<sup>4</sup> Frank Russell Company (<http://www.russell.com>)

## Commodity Total Returns

	As of 11/30/10			Annualized Ending 11/30/10			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
<b>Commodity Total Return Indices</b>							
Reuters/Jefferies CRB <sup>1</sup>	0.26%	5.07%	6.49%	8.78%	-3.26%	1.46%	4.00%
S&P GSCI <sup>2</sup>	1.08%	3.67%	-0.34%	0.52%	-13.82%	-6.85%	0.65%
Dow Jones-UBS index	-0.35%	4.61%	5.55%	7.64%	-5.46%	-0.23%	5.10%
Rogers International Commodities <sup>3</sup>	-0.03%	5.42%	7.51%	9.66%	-6.00%	2.63%	7.72%

Sources: <sup>1</sup> Reuters/Jefferies CRB (<http://www.jefferies.com>)

<sup>2</sup> S&P GSCI (<http://www2.standardandpoors.com>)

<sup>3</sup> Beeland Management Co., L.L.C.

## World Equity Total Returns (in U.S. Dollars)

	in U.S. Dollars						
	As of 11/30/10			Annualized Ending 11/30/10			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
<b>Morgan Stanley Capital International Indices</b>							
<b>Country</b>							
Canada	1.07%	4.27%	12.50%	16.07%	-0.07%	9.35%	10.11%
France	-10.84%	-6.31%	-11.01%	-8.87%	-12.50%	1.65%	2.64%
Germany	-5.08%	2.33%	2.16%	3.40%	-10.52%	6.41%	4.69%
Italy	-15.58%	-10.16%	-21.02%	-20.17%	-20.31%	-5.04%	0.03%
Japan	2.10%	4.19%	7.40%	8.24%	-8.03%	-2.16%	-0.23%
United Kingdom	-4.91%	-1.16%	1.40%	4.07%	-9.92%	1.83%	3.45%
United States	0.11%	4.05%	8.21%	10.44%	-4.90%	1.14%	0.82%
<b>Region</b>							
World Index	-2.11%	1.56%	4.61%	6.52%	-6.93%	1.99%	2.25%
EAFE	-4.79%	-1.34%	0.10%	1.55%	-9.63%	2.27%	3.49%
Emerging Markets (Free)	-2.64%	0.20%	11.24%	15.65%	-2.19%	12.85%	15.71%

## World Equity Total Returns (in Local Currency)

	in Local Currency						
	As of 11/30/10			Annualized Ending 11/30/10			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
<b>Morgan Stanley Capital International Indices</b>							
<b>Country</b>							
Canada	2.01%	4.39%	10.22%	13.08%	0.84%	6.57%	5.76%
France	-4.80%	-1.74%	-1.92%	5.10%	-8.93%	-0.35%	-1.40%
Germany	1.35%	7.32%	12.60%	19.26%	-6.86%	4.32%	0.56%
Italy	-9.86%	-5.78%	-12.95%	-7.93%	-17.06%	-6.90%	-3.92%
Japan	6.18%	4.47%	-3.35%	5.25%	-16.24%	-8.90%	-2.97%
United Kingdom	-2.38%	0.01%	5.15%	9.67%	-1.17%	3.99%	2.49%
United States	0.11%	4.05%	8.21%	10.44%	-4.90%	1.14%	0.82%
<b>Region</b>							
World Index	-0.28%	2.58%	4.62%	8.52%	-6.77%	0.38%	0.63%
EAFE	-0.97%	0.84%	0.46%	6.05%	-9.24%	-0.79%	0.07%
Emerging Markets (Free)	-1.06%	1.23%	9.50%	14.09%	-0.91%	11.91%	14.71%

Sources: Bloomberg and Morgan Stanley Capital International (<http://www.msdata.com/>)

## Bianco Research L.L.C.

1731 North Marcey, Suite 510  
Chicago IL 60614

Phone: (847) 304-1511

Fax (847) 304-1749

e-mail: [research@biancoresearch.com](mailto:research@biancoresearch.com)

<http://www.biancoresearch.com>

### **For more information about the contents/ opinions contained in these reports:**

**President** (847) 756-3599

James A. Bianco [jbianco@biancoresearch.com](mailto:jbianco@biancoresearch.com)

**Strategist/Analyst** (847) 304-1511

Howard L. Simons [hsimons@biancoresearch.com](mailto:hsimons@biancoresearch.com)

Greg Blaha [gblaha@biancoresearch.com](mailto:gblaha@biancoresearch.com)

Ryan Malo [rmalo@biancoresearch.com](mailto:rmalo@biancoresearch.com)

### **For subscription/service Information:**

**Arbor Research & Trading, Inc.**

**Director of Sales & Marketing** (800) 606-1872

Fritz Handler [fritz.handler@arborresearch.com](mailto:fritz.handler@arborresearch.com)

## Arbor Research & Trading, Inc.

1000 Hart Road, Suite 260  
Barrington IL 60010

Phone (847) 304-1560 Fax (847) 304-1595

e-mail [inforequest@arborresearch.com](mailto:inforequest@arborresearch.com)

<http://www.arborresearch.com>

### **Domestic - For more information about Arbor Research & Trading and its services:**

#### New York Sales Office

The Chrysler Building, 405 Lexington Ave  
New York, NY 10174

Edward T. McElwreath [ed.mcelwreath@arborresearch.com](mailto:ed.mcelwreath@arborresearch.com)

Phone (212) 867-5326 Fax (212) 370-1218

### **International - For more information about Arbor Research & Trading and its services:**

#### London Sales Office

3rd Floor 4 Broadgate

London England EC2M 2QS

Phone 44-207-100-1051

Neil Tritton [neil.tritton@arborresearch.com](mailto:neil.tritton@arborresearch.com)

Ben Gibson [ben.gibson@arborresearch.com](mailto:ben.gibson@arborresearch.com)

#### Chicago Sales

James L. Perry [james.perry@arborresearch.com](mailto:james.perry@arborresearch.com)

Phone (847) 304-1560 Fax (847) 304-1595

#### Geneva Sales

Rich Kleinbauer [rich.kleinbauer@arborresearch.com](mailto:rich.kleinbauer@arborresearch.com)

Phone (41) 22 363-9229

#### Far East Sales

Robert Reynolds [robert.reynolds@arborresearch.com](mailto:robert.reynolds@arborresearch.com)

Phone (847) 756-3680 Fax (435) 647-3073