

Issue 8

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Securities Industry Focus

Freeman & Co. LLC

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Securities Industry at Major Inflection Point

The global Securities Industry continues to keep all eyes on U.S. policy makers and specifically Chairman Ben Bernanke of the Federal Reserve and Treasury Secretary Timothy Geithner.

The central question that remains is whether Chairman Bernanke's recently announced plan for quantitative easing which includes buying \$300+ billion of U.S. Treasuries and hundreds of billions of dollars more in mortgage backed securities as well as Secretary Geithner's trillion dollar TALF plan, whose recent iteration attempts to encourage joint private capital / government investments in toxic assets, is enough to restart the economy. Investor sentiment must wade through the noise of grossly excessive bonuses paid to AIG's Financial Products group and the equally bad response of Congress which has threatened to use the U.S. tax code to target employees' compensation above \$250,000 for any firm that has received significant federal government assistance.

The next phase for bank holding companies (post currently known toxic assets) will be driven by how general commercial and consumer loans perform in the continuing global economic downturn. The bulk of these existing loans were underwritten during a period where unemployment was predicted to rise up to a maximum of 5-6% (now widely anticipated to approach double digits) and where the general national housing downturn was not considered.

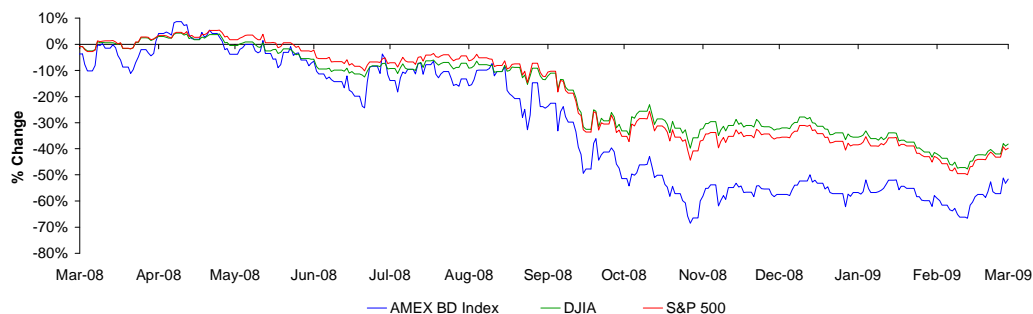
The national housing bubble has collapsed with peak to trough pricing expected to reach -30% shortly...but what if peak to trough prices fall further to -40%+ levels?

Within the Securities Industry, we feel all the factors mentioned above will continue to put direct pressure on management to focus their diversified businesses back to core services. Indeed, many institutional and retail products and services might very well move back to smaller, focused institutions. Look for many independent firms concentrating on mergers and acquisitions, restructuring, equity underwriting, research and sales & trading to develop scale away from the major bank holding companies. We at Freeman & Co. LLC are here to help firms make these transitions.

Indices at March 25, 2009

Index / Metric	Value
DJIA	7,750
NASDAQ	1,529
S&P 500	814
FTSE 100	3,900
Nikkei	8,480
AMEX BD Index	81
10-yr U.S. T-Bond	2.77%
USD per GBP	\$1.46
USD per Euro	\$1.36

AMEX Broker-Dealer Index, Dow Jones Industrial Average, S&P 500 % Change



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